

The Management Review

THE MONTH'S
BEST IN
BUSINESS
READING . . .

Personnel

Production

Office Management

Marketing

Finance

Insurance

Packaging

General Management

Books of The Month

SEPTEMBER, 1951

Among the Features

What Makes a Successful Executive?

Millionaires Are Made, Not Born

The Economics of Filing Operations

"We Save \$10,000 a Year with Ledgerless Bookkeeping"

Sales-Eye View of the Personnel Function

The Closed Shop in Hiding

Non-Productive Time and Its Practical Implications

Cutting the Cost of Materials Handling

Industrial Selling During Mobilization

The New Salesmanship

What Women Like and Dislike About Packages

Evaluating Credit Risks Today

Trends in Executive Compensation

Problems of All-Risk Property Insurance

Insurance Premiums as Compensation

AMERICAN MANAGEMENT ASSOCIATION

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Communications

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in the office

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To enable members to obtain specific information on their individual problems, special "close-up" sessions have been scheduled to follow the regular conference discussions on techniques for getting out office production. At these sessions, members may meet in small groups with panel speakers to pick up where the conference discussions left off and get authoritative answers to their own particular problems.

PLAN TO ATTEND—REGISTER NOW

AMERICAN MANAGEMENT ASSOCIATION

330 West 42nd Street

New York 18, N. Y.

M. J. DOHER, Editor; VIVIANNE MARQUIS, Associate Editor

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General Management

WHAT MAKES A SUCCESSFUL EXECUTIVE?

WARREN L. GANONG*

WHAT MAKES A successful executive? Among other things his people. Let's look at it this way. The first mark of a successful executive is that his department produces results. Good results! This means that for one reason or another his people are producing results. Good results! The chances are excellent that this did not happen by chance.

Such things, of course, are relative and to some extent a matter of definition. But there is a real possibility that the result-producing executive got that way by use of some or all of the following means.

1. *Let George do it!* When George is one of your assistants, he may be just the man to take the load off your shoulders. He probably doesn't want to become simply a pack horse, but he may be more anxious—and more able—than we all realize to take on some of those important projects you have.

Worth trying?

2. *Leave the old job behind!* "One of the hardest things a recently-promoted executive has to do is leave his old job behind." But even though it isn't easy, it has to be done if the executive is to carry out his new responsibilities. And if his replacement is going to grow into his! The longer the executive "holds the reins" on his old job, the less effective will he be—with few exceptions.

How about you?

3. *Take aim!* Every position exists—or should—for some particular purpose. Why does yours? And why do those of your assistants? What tangible objectives are there for the people in those jobs this year and next year? Were the objectives met last year? How well? Are the objectives the same as they were when you held those jobs? Or the same as five years ago? Should they be? Why? What do your people think? Where do you keep these objectives? (It might be interesting to open your desk drawer or your file within the next half hour to review these objectives.)

4. *Follow the leader!* For better or for worse, that's what our people do. From childhood on, people play, "follow the leader." Sometimes unconsciously, of course! Other times by deliberate intent. Maybe one of your people has said to himself, "My boss reached the top by being the way he is and by acting the way he acts. So if I am like him and act the way he acts, I'll reach the top too." Startling, perhaps, and sometimes unfortunate,¹ but nonetheless generally true. Whom are you like?

5. *Ask and ye shall receive!* Something which always seems to be surprising to some supervisors and executives is that their people can and will help solve problems if they are asked—asked, that is, in a way that indicates a real, honest

* Director of Training, Methods Engineering Council, Pittsburgh 21, Pa.

¹ For a discussion of some of the unfortunate results of "follow-the-leaderism," see "Why Follow the Leader?" by Edward C. Schleh, *THE MANAGEMENT REVIEW*, March, 1951, p. 106.—Ed.

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desire to get the thinking of their people. This requires a skill which doesn't always come naturally.

A wealth of evidence points up these facts. They indicate, too, that the most productive employees are those that feel they have the greatest degree of control over their activities and who play a part in solving the problems that affect them. Only their supervisors can provide them with this opportunity.

6. *Operate from the sidelines!* The coach of a winning team doesn't carry the ball. Sure, he wants to! And it's frequently a great deal more difficult for him to stay off the field than it would be to get in there and do it personally.

There's never any question, however, regarding the coach's contribution to a winning team. He's the one who has kept his eye on the over-all objective as well as on the ball; he's the one who has critically watched the chap carrying the ball; he's the one who has been scanning the competition and how it is operating; and he's been the one looked to for counsel and advice. No doubt there are some differences between a ball team and a company, or a division, or a department. But aren't there some striking similarities?²

7. *Develop a Winning Combination!* Winning combinations seldom just happen. More frequently they are the result of:

- a. Careful selection of the people for the jobs to be done from the available supply.

² These same similarities are pointed up by more than one top industrial executive in a recent symposium on the president's job and the problems he faces. See *Dun's Review*, July, 1951, p. 13 ff. and August, 1951, p. 21 ff.—Ed.

- b. Well-planned and guided training for the specific assignments.
- c. Development of enthusiasm, teamwork, initiative, and loyalty in the group.
- d. Continued attention to the individual development and growth of each member of the group.
- e. Transfer, promotion, and replacement of members of the group as experience and measured performance indicate the desirability.

8. *Have faith!* "A man has great need for coaching by a supervisor who believes in him." Certainly a prime requisite if an executive is to call forth the best efforts of his people. Perhaps it is true that the best supervisors like people and have real faith in them.³ For those who do not, the task of being a supervisor or an executive must be drab indeed.

Since there is no other way an executive can produce results—more production, more sales, lowered costs, greater job satisfaction, increased profits—except through other people, then it follows that knowledge and skill in the fine art of organizing and directing the work of others, rather than immersion in the routine of the executive job, is the *sine qua non* of being an executive.

Long years of experience, research, and of result-getting are available to us. It all helps in answering "What Makes an Executive?" Sure, it is his people. But the difference between knowing the answer and being an executive lies in the doing!

³ This observation is well supported by a study of supervisory attitudes as they affect supervisors' job performance. Results of a supervisory attitudes test, given to a group of first-line supervisors rated superior and to another group rated inferior in job performance, indicated that faith in people was the factor which differentiated between good and poor supervisors. See "Supervisors' Attitudes and Job Performance," by Milton M. Mandell, *PERSONNEL*, Nov., 1949.—Ed.

WHEN nothing seems to help, I go and look at a stone-cutter hammering away at his rock, perhaps a hundred times without as much as a crack showing in it. Yet, at the hundred and first blow it will split in two, and I know it was not that blow that did it, but all that had gone before.

—JACOB A. RIII

MILLIONAIRES ARE MADE, NOT BORN

AT THE PRESENT, the prospect does not look bright for anyone who plans to make a million after taxes in 1951, though the record of World War II does not indicate that any tax that is likely to be imposed will entirely block the road to fortune. In some important ways, however, the game has changed since the turn of the century. Tax laws have had a good deal to do with the changes.

There are several kinds of millionaires. For instance, there is the man who owns a million dollars' worth of property. There are no statistics to show how many Americans are in this class, but there surely are a great many. Another class is the multimillionaire, individual or family, and this is still a powerful class, though not as numerous as it was before the inheritance tax began to bite. A third class is made up of people who make a million dollars a year. Some of these are multimillionaires, but most of them are men who hit the jackpot only now and then in their business.

Most of the statistical facts open to the public do not tell about the people in the first and second classes. The Internal Revenue Bureau reports each year how many made the top bracket, how much total income they reported, and what taxes they paid. For most years the Bureau also has figures that give a pretty good line on how much these taxpayers got in capital gains over and above what they had to report for taxes. The figures are rough in spots, but they show how the importance of the million-dollar incomes has diminished during the past 35 years. In 1928 and 1929, for instance, the take-home pay of the million-a-year winners was 1.2 per cent of the income of the American people; but since 1932 it has been dragging along at about one-twentieth as much.

The income tax has been at least one

cause for this reduction in the slice of the national pie that goes into million-dollar taxable incomes. But that means only that big cash incomes are not the attraction that they used to be in this country. Men who find that they are going to hit the top bracket look for some way to make their gains take the form of undivided corporate profits, where they will not be so heavily taxed. It is not easy to prove, but it is quite probable that million-dollar incomes are as important as ever, but they do not so often come to light as cash.

In other words, the big money has not vanished but it has taken a more corporate and less personal form. The advantages of using a corporation have been accentuated by the rising level of taxation and by the form of the tax laws.

For instance, one company owner told the Celler subcommittee on monopoly in 1949 how he and his partner in 23 years built their company from \$30,000 capital to a total value of \$12,000,000. The two owners left most of their profits in the corporation, where they were taxed less heavily than they would have been if the owners had drawn dividends to reinvest either in their own or some other business. When they came to the age where they were afraid of the disruptive effect of death taxes, they might have sold out for cash, and they would have flashed for a moment in the bright galaxy of the million-a-year class. But what they did was to merge with another company, and take stock. Thereby they saved paying a whopping capital gains tax at the moment and came out with marketable stock that can be sold by their heirs to pay inheritance taxes without disrupting the company.

All this was quite normal behavior, and it helps to illustrate why we see so few million dollar incomes in the tax

records. The smallest tax burden was found by staying inside the corporate form even when the owners disposed of their business.

On a much larger scale, we are not likely to see many more private individuals personally owning a hundred million or a billion dollars worth of property, because it is much more convenient to give the property to a foundation which does not have to be split up by death taxes when the founder dies. The founder still has whatever operating control of his business he cares to retain, and of course he also has an influence on the management of the foundation. The foundation is required to use its income for tax-free purposes which the founder would have been inclined to support anyway; but the management still has control over the investment of its funds, an important advantage of wealth.

We still have some big corporations, and of course many small ones, which are controlled by a family that actually owns a large part of the stock. But this old-fashioned combination of wealth and power seems to be less common than it was in the nineteenth century.

What does this change mean in terms of the public welfare? There are two aspects that may be worth noting. One, already mentioned, is that although vast financial powers are not a thing of the past, they no longer are so often connected with vast personal wealth and income. Money income is somewhat more evenly distributed, and that, in itself, is good for business prosperity, so far as it goes.

The other effect may not be so good. While small business ventures will start by thousands, with capital provided out of personal savings, new enterprises in lines that require a good-sized investment are not so likely to be set up in the form of independent concerns.

Such a concern that has to pioneer and

that will lose money for several years before going in the black is at a disadvantage if it is independent. The owners must raise capital to start it, and perhaps as much more to carry it over the years of red ink. The case is quite different if the same enterprise starts as a subsidiary of a profitable corporation. The corporation must put up the money to build the plant, but the operating losses can be charged off against the profits of the rest of the company's operations. The losses in effect fall partly on the government. The effect of this situation is that important new products are apt to be introduced by some going concern, not as independents.

There ought to be a law to avoid taxing any independent business man, dead or alive, in such a way that it is cheaper for him to merge his business than to leave it independent.

Perhaps there ought also to be a law providing that when a giant company has developed a new product to the point where it can run by itself, it should be expected to cut the umbilical cord and let its offspring go free. The capital gains tax would have to be changed so that no tax deterrent would stand in the way of the process of giving birth to the new enterprise.

If new enterprise in the future, outside of the small business field, is to occur largely as a budding or sprouting process from existing enterprises, instead of by the ventures of individual private investors, must we accept the growth of a tangle of branching big business corporations? Perhaps it would be better, if the corporation is to replace the human enterpriser, to make our big corporations a little more like humans, particularly in the matter of producing detachable offspring instead of mere branches.

To sum up, if you want to make a million dollars, and if you know how to

make money, the game is still open. But, as against 50 years ago, big money in cash income is not so fashionable, because that is what has to pay income taxes. The modern millionaire prefers to make

his money in a corporation and leave most of it there out of the wind. This may call for tax changes to avoid forcing mergers or penalizing the birth of a new concern.

—DAVID CUSHMAN COYLE. *The New York Times Magazine*, August 26, 1951, p. 15:3.

Education: Give and Get

STANDARD OIL CO. (New Jersey) and its affiliate companies plan to engage the services of a limited number of college educators to work with their administrative staffs for up to two years, Chairman Frank W. Abrams reported recently. Educators employed will receive definite job assignments in special fields where the company feels additional research or study is needed.

Under a program designed to supplement work of some of Standard's executive personnel with the special talents available in the educational field, the company will seek the services of ten or more professors and instructors who can be released from teaching for at least a year. They will receive the same monthly salary as they earned on the campus, plus bonus adjustment for special expenses.

It was emphasized that the educators would not replace any of the company's regular employees or occupy positions normally filled by employment or promotion.

—*The Controller* 8/51

Coleman L. Maze

1894-1951

The Association notes with deep regret the passing of Coleman L. Maze, Acting Chairman of the Department of Management and Industrial Relations at the New York University School of Commerce, Accounts and Finance, former AMA Vice President, and long an outstanding leader in the Association's activities. Dr. Maze died on August 9 after a brief illness.

Dr. Maze was graduated in 1923 from N.Y.U., from which he held three graduate degrees. He joined the faculty there as an instructor in 1923 and was named to a full professorship in 1941. He became Acting Chairman of the Department of Management and Industrial Relations last year.

A management consultant since 1923, Dr. Maze was at one time budget engineer of the Cities Service Company, New York, and from 1933 to 1940 was at various times a technical adviser to the late Fiorello H. La Guardia.

In 1946 he was survey director of the Citizen's Budget Commission and from 1948 to 1949 an administrative analyst of the New York City Housing and Rent Commission. In 1947 he received the Leffingwell Medal for outstanding contributions to the field of management from the National Office Management Association.

Dr. Maze was president of NOMA and of the New York Office Executives Association, and director of the National Management Council. As AMA Vice President, he headed the Association's Office Management Division and through the years was a frequent speaker at its conferences. He was the editor of *Office Management Handbook*, and co-author of *Managerial Control*.

Surviving are his wife, Mrs. Cecilia Scanlon Maze, and a daughter, Miss Nancy Maze.

THE MAINSPRING OF GOOD HUMAN RELATIONS

ROBERT A. MILLIKEN ONCE SAID: "The filling station men have improved the manners and courtesy of the American public more than all the colleges in the country." He must have had in mind not the courtesy of Raleigh spreading his mantle over a puddle for a queen to walk on, but just everyday neighborly courtesy—the courtesy that is made up of little kindly acts that bring happiness to others, and make you happy, too. What a heart-warming thing this type of courtesy is!

It is heart-warming because it comes from the heart. There is none of the insincerity that is found in "push-button" charm, for it is not a mere superficial social grace, but a neighborly kindness and benevolence in small things. It evidences itself in everyday thoughtfulness toward other people and sensitivity to their feelings.

A person who possesses this brand of courtesy stands out in a crowd—sometimes astonishingly so, for he doesn't fight to get ahead of someone in the elevator, or up the car steps, or at the ticket window. As a motorist he can wait for a car to pull out of a parking place without honking his horn or using impatient language, can wait at an intersection for pedestrians to get safely across the street before driving on. He knows that the world has speeded up considerably lately, but believes there's still time to exchange a friendly greeting, to say "please" and "thank you"—and that

wearing a smile takes no more time at all. "A smile can burst the clouds in two. . . . And let the face of God shine through," the poet said.

His courtesy makes things pleasanter and easier for everybody, for there is no double standard to his thoughtfulness. With the late George Bernard Shaw, he believes that the great secret is not to have bad manners or good manners, but having the same manners for all human souls. The sincerity of his manners keeps them refreshingly free from apish bowing and scraping, and also free from any patronizing air of condescension.

This quality of consideration for all who cross his path fits well the time-tested definition of a gentleman . . . a gentleman is one who thinks more of other people's feelings than of his own rights; and more of other people's rights than of his own feelings.

Everyday neighborly courtesy may have little schooling other than the schooling of a kind heart, little polish except the sheen acquired by constant use—but all the formal etiquette prescribed by the highest social authorities could never dethrone it in the hearts of men. It is made up of little kindly acts, as small and as easy as a smile or a "thank you"—but so strong and so necessary a part of our life that O. Henry once spoke of it as the mortar between the bricks of the foundations of society.

—*Inspection News* (Retail Credit Company, Box 1723, Atlanta, Ga.)

IN 1925 the average automobile lasted only 6.5 years and ran about 26,000 miles in its lifetime. By 1948 the average scrapped automobile had run 120,000 miles and was 13.6 years old. Thus, today's car lasts twice as long and runs four times as far as did the car of the middle twenties.

—Economic Research Department, U. S. Chamber of Commerce

GETTING THE MOST FROM YOUR BUSINESS READING

MOST OF US read papers and magazines because we like to learn what is happening to people we know and to keep abreast of developments in our business field. But the reader who stops there has not begun to get his reading rewards. He will get full value from his business reading only when he has learned to apply three reading rules—magnetize, mobilize, energize.

Anyone who wants to get real value from his reading must magnetize his mind while he reads to catch what is of significance to him. A first item of significance may be some statement which the reader knows he should understand but has some questions about. Here is a good place to make a note to inquire for the information that will clarify this material. There are several ways whereby the reader can magnetize his mind to catch what is significant. He should think of people upon whom he is to call within the next few days and consider what is to be discussed. With this magnet it will be just about impossible to go through a full issue of a magazine without finding something of value to be used in the coming interviews.

—RALPH E. RICHMAN. *Advanced Management*, August, 1951, p. 17:1.

The executive who goes over the paper or magazine, keeping in mind the decisions he must make within the next few days, is almost sure to find some helpful references.

Information is like an army. It must be mobilized to be effective. Many successful executives began early in life to maintain their own reference files. When a discussion in the business press appeared to have more than passing significance, the scissors came out and the item was filed away under the right heading for future use.

But it is futile to magnetize and mobilize unless you also energize. In fact, one of the most rewarding ways to read the business paper is simply to examine the articles in it with a question, "What is this telling me to do?" Perhaps one article prompts the reader to dictate a certain letter; another, to gather some information for future use; another, to call a meeting in the office to discuss some new ideas that were set forth in the article. The reading of a business paper can become a productive activity if the reader will act on the results.

Congratulations!—For Better Community Relations

WHEN A CUSTOMER or business associate has performed a community service, received a civic honor, or attained some professional achievement, you have a fine opportunity for writing him a congratulatory note—one of the most effective avenues of public relations. These brief messages require very little time, and they pay solid dividends in terms of goodwill. Your letter is a good public relations medium because it comes as a pleasant surprise and makes a lasting impression, it deals with the reader—his most interesting subject—and it makes a strong appeal to his personal pride.

Here are five ways to make your letter of congratulation build goodwill: (1) write it promptly; (2) make your message brief—a note ranging from 50 to 80 words will make a more favorable impression than a full page of type; (3) use an informal conversational style; (4) be enthusiastic—make your letter sound as though you thoroughly enjoyed writing it; (5) confine yourself to the expression of congratulations and good wishes—if your message carries any suggestion of promotional effort, its value as a goodwill builder will be lost.

—WILLIAM H. BUTTERFIELD in *Banking* 5/51

AFTER THE DEFENSE BUILD-UP—WHAT?

DURING THE PEAK of the defense build-up, which may be reached in early 1952 and extend until well into 1953, industrial production will rise perhaps as much as 25 per cent over present levels. When the period of the intense defense build-up is completed and the current private capital investment boom is flattened out, however, it is probably no exaggeration to say that we will be confronted with the most important economic problem of our lifetime. This problem is how to deal with the overproduction resulting from the most intensive and the most sustained period of plant expansion and modernization in the history of this or any other country.

After the peak of the defense build-up there will be a letdown because: (1) we won't have anything like the World War II accumulation of deferred housing and durable goods demand; (2) private capital expenditures will slacken off; and (3) the Administration—assuming that the same Administration is still in power then—will find it difficult to uncover new "rabbits" that can match the stimulating power of the defense program.

Basically, however, the problem that will confront us then is simple enough. All that would be needed is a little time to permit us to catch up with our expanded production facilities and to absorb that part of our labor force that is freed from marginal producers who cannot survive a period of intensified competition. If we realize at that time that it is unsound to keep our economic growth going by constant over-stimulation and borrowing from the future and have the courage to take time out to catch our breath and to give our economy a chance

to grow into its increased productive capacity, nothing more than a moderate recession, perhaps of the 1937 type, is likely and we would be the better for it after it has run its course.

There is a Spanish expression that, translated, means: "Step back in order to jump better."

That describes to a "T" what thus far has been the pattern of our economic growth. This pattern has done rather well by us in the past—except for the protracted depression of the early '30s. Today there are at least four factors built into the economy which will act as safeguards against a repetition of such a depression.

These "four horsemen" that stand ready to protect us are: (1) a strengthened banking system; (2) the absence of a top-heavy security loan structure; (3) a sounder mortgage structure now that slow amortization is the prevailing custom; and (4) a stronger international situation because of the absence of a top-heavy foreign loan structure—this time we just have been giving the money away.

We do not share the Administration's panic over the possibility of a temporary unemployment of four or five million, or even a bit more. We believe the gradual elimination of marginal producers in individual industries where overcapacity develops is healthy rather than tragic, even if it takes some time to absorb workers into other industries. Only if such periodic adjustments are permitted can productivity be expected to bring about more volume at lower prices, thereby helping to counteract the inflationary bias inherent in our present official policy of full employment at all times and at any cost.

—From an address by DR. H. E. LUEDICKE (Executive Editor of *The Journal of Commerce*) before the School of Banking, University of Wisconsin, Madison, Wisc.

How to Break the Worry Habit

"WORRY is the most disintegrating enemy of human personality," says a famous psychologist. A physician corroborates his colleague: "Worry is the cause of a large proportion of sickness in America today."

In outlining a method for breaking the worry habit, there are two techniques to be employed. First, practice the art of forgetting. An experiment by a group of physicians who studied the case histories of their patients over a period of time revealed that a large share of the illnesses they had treated were caused by worry. These worries fell into the following percentage of categories—40 per cent worried about past happenings; 50 per cent were worrying about future uncertainties; 10 per cent were worries dealing with contemporary matters about which something conceivably could be done.

Therefore, if one becomes adept in the practice of the art of forgetting, he can presumably eliminate 40 per cent of his worries.

We are not living a day at a time but we are carrying many days in our minds, and the human system simply cannot bear the weight of past mistakes and future fears. The solution is to take what you can learn by way of a lesson from past failures, straighten out what you can, then forget it and go ahead.

The second element in the technique of breaking the worry habit is to practice the art of imperturbability. Reduced to simple terms, that means, whatever you do, let nothing "get your goat."

There are so many jittery people today that they keep our entire society in an upset state. For the most part, we are not thinking with our minds but we are trying to think with our emotions. Before we can solve our unprecedented economic and political problems, we need to develop inner peace and security.

—FROM AN ADDRESS BY NORMAN VINCENT PEALE before the Illinois State Chamber of Commerce

Good Old Days

WHAT WITH all the present commotion about price and wage controls, it is interesting to note that our forefathers experienced the same problems even back in the Revolutionary War days. Recently someone was digging through the old archives of the Brooklyn Public Library and found that on December 31, 1776, the general assembly of Rhode Island and Providence Plantations adopted a wage and price ceiling law.

Apparently the colonials were stirred up about profiteering, because the old law denounced "the unbounded avarice of many persons," and said war profiteering "disheartens and disaffects the soldiers who have nobly entered into service" and whose pay "is not sufficient to subsist them."

Here are some of the price ceilings set then: milk, per gallon, nine cents, and the same for a pound of turkey; a gallon of rum was set at 63 cents and a pound of tobacco at five cents. Barbers charged 3½ cents a shave, the carpenter received 70 cents a day, and the tailor 42 cents.

Lodging for a night was set at five cents. "Dinners" at taverns for travelers (not soldiers) of boiled and roast meat, with other articles equivalent, "exclusive of wine," 21 cents.

—*Nation's Business* 6/51

HOME OWNERS ON THE RISE: A striking change in our national way of living is illustrated by the fact that 20 million out of 23 million single-family non-farm homes today are occupied by the families who own them. Home renters exceeded home owners only a decade ago.

—*Industrial Distribution* 3/51

Also Recommended • • •

PUBLIC OPINION TRENDS IN A PERIOD OF WAR MOBILIZATION. By Claude Robinson. From *The Proceedings of a Series of Lectures Jointly Sponsored by the University of Pittsburgh and the Pittsburgh Chamber of Commerce* (School of Business Administration, University of Pittsburgh, Pittsburgh, Penna.), 1951. Under present and future operating conditions it is highly probable that the net profit on company balance sheets will reflect the successful solution of a number of current public opinion problems, according to Dr. Robinson. He believes that "the declaration of the goal is the essence of persuasion," and that it is therefore imperative that people be made to understand the goals that business seeks.

CAN INDUSTRY USE TELEVISION? *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), September, 1951. Though the existing uses for industrial television are limited, Dr. Zworykin of RCA believes that as industrial television costs come down industry will obtain its biggest benefits by using this medium for intra-plant and inter-plant communications. The first commercial model of a completely redesigned and simplified ITV chain, priced at around \$5,500, will be on the market this fall.

THE LANGUAGE OF LABOR. By Daniel Bell. *Fortune* (540 N. Michigan Avenue, Chicago 11, Ill.), September, 1951. Though it has 15 million members and assured security, labor still talks as if it were a weak minority, impugns the motives of business men, and shouts with radical accents. Yet abroad it defends free enterprise with pride and skill. In this article, *Fortune's* Labor Editor explains the paradox.

THE ATTITUDE OF MANAGEMENT TOWARD RESEARCH. By Robert E. Wilson. From *The Proceedings of a Series of Lectures Jointly Sponsored by the University of Pittsburgh and the Pittsburgh Chamber of Commerce* (School of Business Administration, University of Pittsburgh, Pittsburgh, Penna.), 1950. In this discussion of the advances made by applied and industrial research, the author itemizes the requirements for a better understanding by management and research directors of each other's problems. Although present-day management does not doubt the need for expanded research facilities, there is some question in management's mind as to whether the law of diminishing returns may not be starting to take hold; research must therefore realize that it faces an increasingly difficult job in justifying its costs.

THE SOUTH REVISITED: 1951. Tide (232 Madison Avenue, New York 16, N. Y.), June 29, 1951. An average of seven new industrial factories opened their doors for business in the South on every working day during the past 10 years. With business burgeoning and trade flourishing, the South appears to have entered an era of prosperity whose peak is not yet in sight, this report on the Southern industrial boom observes.

IT TAKES LESS THAN A SECOND TO SAY "PLEASE." By Jack W. Taylor. *Factory Management and Maintenance* (330 W. 42 Street, New York 18, N. Y.), July, 1951. The author proves the point by means of specific examples and some simple arithmetic, that good manners in industry cost little and accomplish much. By actual measurement by microwatch .014 minutes are needed to say "please," which means 50 "pleases" a day use up only .7 minutes.

BUSINESS WEEK REPORTS TO EXECUTIVES ON: SOUTH AMERICA. *Business Week* (330 West 42 Street, New York 18, N. Y.), August 25, 1951. This report surveys the rapid economic development which is taking place in South America and discusses the importance of this growth in terms of the supply of raw materials for U. S. industry, markets for U. S. exports, and opportunities for the investment of U. S. capital. The demand level in the United States for South America's primary products is probably the most influential factor in the economic revolution now under way there, and if this demand remains fairly steady until South American countries can diversify their economies somewhat, the authors believe that South American governments may give private business interests, both local and foreign, a freer hand to develop the continent's resources on a competitive basis.

HOW THE NEW ANTI-TRUST LAWS AFFECT AMERICAN BUSINESS. By H. A. Toulmin, Jr. An address before the Wisconsin Manufacturers Association, May 15, 1951. (Available from the Sutton News Service, Inc., 424 Madison Avenue, New York 17, N. Y.) As administered now, the Anti-Trust laws have departed from their purpose, which was to permit free competition, and now protect not the consumer but a limited class of small competitors, according to Mr. Toulmin. He presents a plan for the administration of these laws which, he believes, will prevent much litigation and, at the same time, be in the public interest.

THE ECONOMICS OF FILING OPERATIONS

HOW MUCH does it cost to operate a file? Studies show that the costs of file operation vary widely from industry to industry and even among industries of the same type owing to differing degrees of efficiency among companies. The following information about factors which enter into the cost of operating a file may help you reduce the cost of filing operations in your company:

File Clerk Salary. In 1949 a nationwide survey conducted by the National Office Management Association found that the average weekly salary for a file clerk was \$35.85, or \$1,864 per year. Supervisors may earn upwards of \$3,000 a year.

File Clerk Efficiency. The number of drawers a file clerk can handle varies widely. In the study mentioned above, it was found that in an alphabetic file from which records are transferred annually, the average number of drawers handled per file clerk is 47 or about 12 four-drawer files. Obviously the number of file drawers handled per clerk will decrease as the degree of difficulty of the filing operation increases.

Cost. A study of the current list prices of the leading makes of top grade four-drawer suspension files, frequently referred to as "Standard" files, indicates that there is an average difference of less than \$12 in price throughout the United States.

Life. To evaluate equipment properly it is necessary not only to know the initial cost but also to distribute that cost over the useful life of the equipment. Though there is no technical classification of files, they are generally divided into three

grades: Standard, Commercial, and Utility, or in some instances as first, second, and third grade. Tests indicate that characteristics which govern the life of a file are the type of front frame construction and the type of ball-bearing slide suspension. These qualities determine the number of times a file drawer can be opened and closed; i.e., drawer cycles. While there are no "approved" laboratory standards of operation, there are minimum standards of performance which should be expected from the various grades of files. With respect to the number of drawer cycles, the Standard grade should have 200,000; and the Commercial, 80,000; and the Utility, 40,000. With regard to the weight of the drawer content, a Standard drawer should hold 80 pounds; a Commercial drawer, 80; and a Utility drawer, 65. A Standard drawer should not require more than three and three-quarter pounds pull to open; a Commercial not more than eight; and a Utility not more than 12. For long life and precise performance, ball-bearing rollers are as essential to file construction as they are to all precision machine equipment. Consequently, the best Standard files are equipped with controlled multiple ball-bearing slide suspensions.

Filing efficiency is largely determined by those features built into the file cabinet which facilitate finding or filing. In this respect, the type of drawer is nearly as important as the slide suspension and frame construction. There are three basic drawer types currently on the market: (1) rigid—both the front and rear ends of the drawer are rigid; (2) drop front—the front of the drawer inclines outward

as the drawer is opened, but the back remains rigid; (3) automatic or robot—both the front and back of the drawer incline outward simultaneously as the drawer is opened. User experience indicates that drop front and automatic files give greater operational ease by providing: (1) a working "V" which facilitates the removal or insertion of material, gives longer life to the folders, and eliminates the need for constant adjustment of the follower block; and (2) automatic layback of the material which provides maximum visibility of folders and thus facilitates finding and filing.

Cost of Maintaining a Four-Drawer File. The annual cost of a four-drawer file (predicated upon one clerk handling 12 four-drawer correspondence files) can be broken down into the following: (1) salary for the file clerk, \$155.34; (2) floor space, \$13.75; (3) supplies, \$19.00; (4) the file itself (amortized over 10

years), \$7.10. The total annual operating cost is \$195.19. On the same annual basis, records essential for business survival can be housed in special file protection equipment for an additional 65 cents per thousand documents.

Savings in the purchase price of equipment are often misleading since such savings are attained at the expense of operator production. The maximum savings which appear to be realized from the purchase of unproven equipment are approximately \$3.50 per cabinet. Therefore, a decrease of as little as 2.5 per cent in operator efficiency resulting from the use of inferior equipment can more than offset the apparent savings gained by a lower purchase price. Filing cabinets should be purchased on the same basis as one selects a high-grade stock or bond; namely, reputation of the company involved, performance of the commodity, and return on the investment.

—A Yardstick for Filing Cost and Efficiency (Remington Rand, 315 Fourth Avenue, New York 10, N. Y.) p. 10:5.

A New Method for Recording Incoming Parcel Post

THE RECEIPT of parcel post is a major operation at many firms, occupying considerable time and effort. Robert G. Brown, manager of the receiving department at J. L. Hudson Co., Detroit, in a recent address before the traffic group of the National Retail Dry Goods Association described how his company saved time and improved efficiency in recording incoming parcel post.

Mr. Brown said his company's former practice was to have the receiving clerk call to a typist, who recorded the information onto the receiving sheet or record. The new system was described by Mr. Brown as follows:

"We installed a dictating machine to which the receiving clerk now dictates the same information. We have a consecutive numbering device installed in a standard marking machine chase. This device preprints labels with the receiving number. We use a plastic bonding device for attaching the labels to the packages. Typing of the receiving sheet is done in the office where there are no interruptions.

"Time of receiving clerk is reduced 7 seconds per package. Time of typist is reduced 14 seconds per package—a saving of 21 seconds per package. Translated to a month of receipts, this means 81.6 one-person hours.

"The investment in equipment is small. Supplies cost no more than by previous practice.

"We will improve the job still further in order to reduce work and increase production.

"The economy is small, to be sure. The important thing is that while the operation is small and the saving in labor is small, we know that there are many more operations that can be improved with study."

"WE SAVE \$10,000 A YEAR WITH LEDGERLESS BOOKKEEPING"

A SAVINGS of more than \$10,000 a year was realized by the Globe Machinery & Supply Co., Des Moines, Ia., simply by breaking with custom in handling accounts receivable. The company has stopped using machines to post accounts receivable ledgers, and has discontinued sending out monthly statements as a matter of routine.

A check with a number of customers showed that most of them ignored our statements. A few customers, of course, did request them—about 10 per cent. As we had been sending about 5,000 statements per month, this meant that we eliminated about 4,500. We have never computed the exact cost of sending statements, but a reasonable estimate would be 10 cents per statement mailed. Even at 5 cents, the cost for 4,500 monthly statements would be \$2,700 per year.

We found, however, that in doing away with the statements, we had created a credit information problem. Formerly, branch offices had depended upon the home office for advice on the credit status of their customers. Our solution was to decentralize; that is, to keep the accounts receivable record for the branch in the branch.

To save the cost of operating accounting machines in each branch, we decided to eliminate the accounting machines completely. We did not need 90 per cent of the regular monthly statements, and we rather doubted the need of the posted ledger sheet.

Under the "ledgerless bookkeeping" system, copies of invoices form the accounts receivable ledger, thus eliminating all postings and providing the full information on every charge as found on the invoice.

Each girl working on accounts receivable at the branch offices assumes complete responsibility for the accounts under her jurisdiction. She O.K.'s the orders, fol-

lows the accounts for collection, does all the entering of charges and applying of remittances, and keeps all her accounts in balance.

A pocket "home" for each account is provided in a fireproof desk, and each account is visibly indexed for fast filing and reference. In each pocket we keep a credit history card, summarizing all important credit matters for a period of 12 years on each side.

"Posting" of charges consists simply of dropping invoices into the pockets. If no other invoices are in the pocket, the girl sets a signal over the month the invoice is dated. This signal is visible on each account as soon as the desk drawer is opened.

If an invoice is already in the pocket, the signal will already be set to show the date of the oldest charge. These signals, then, automatically age the accounts. As time passes on, delinquent accounts stand out like sore thumbs, and the girls send out their follow-up letters on a regular schedule.

Our first follow-up is a very simple statement, prepared on an adding machine. We just list the amounts of all current invoices, take a sub-total, list the amounts of past due invoices, and take a total. The girls then pen in the months of the past due invoices.

When an invoice is paid, it is removed and date stamped "paid." The signal is then moved back to the neutral position if there is no other invoice, or moved to the date of the oldest remaining invoice.

Three invoice-sized forms cover partial payments, overpayments, and unauthorized deductions taken by customers on invoices. If a customer makes a partial payment, the amount is typed on the form, together with the number of the invoice toward which it is to be applied. One copy goes to the customer, and another

copy is attached to the invoice copy in the customer's account pocket. The same procedure is followed with overpayments and unauthorized deductions.

As a result, we have a better credit

history than we had with ledger sheets, and our statements now mean something. They tell the customer the amount of each invoice he owes and tell him just how delinquent he is.

—F. G. PHILLIPS. *Industrial Distribution*, August, 1951, p. 84:4.

Office Workers Earn More in Government Jobs, Study Shows

THE PAY SCALE of the Federal Government is higher than that of private industry and, as a result, female employees particularly are quitting their jobs and going into government service, the Commerce and Industry Association of New York, Inc., declared recently.

"To support its contention that government salaries are lower, the Bureau of Labor Statistics quoted hourly rates as of April 1, the date of their survey," said Mr. Gordon L. Thayer, supervisor of the Association's Annual Clerical Salary Survey. "They indicated that in private industry a Class A typist earned \$1.31 an hour and a general female stenographer, \$1.36, while their governmental equivalent, GS-2, received \$1.27 an hour. Secretaries were listed at \$1.69 an hour against the government's comparable GS-4 at \$1.49.

"Since hourly rates are used as the basis for comparison, then the number of hours worked have to be considered. Government schedules call for 40 hours per week. Of the 400-odd companies constantly surveyed by the Association, 82 per cent work less than 40 hours and of those, 59 per cent have a work-week of only 35 hours.

"Accordingly, if the private industry rates are multiplied by 35 hours and the government figures by 40, a different picture unfolds. Class A typists at \$45.85 and general stenographers at \$47.60 then would compare with the government's GS-2 at \$50.80, and secretaries would get \$59.15 against \$59.60 for the GS-4 in federal service."

A report of the Council of State Chambers of Commerce comparing Federal Government annual median salaries in 16 job classifications with the annual medians of New York City business, projected by the Association as of June 1, showed the following:

Job	Federal Median	Business Median	Difference— Federal over Business
Accountant	\$6400	\$4628	\$1772
Junior Accountant	4587	3796	791
Messenger	2140	1768	372
Bkpping. Mach. Opr.	2930	2431	499
Dict. Mach. Opr.	3115	2236	879
Mimeograph Opr.	2690	1854	836
Sr. Steno	2910	2652	258
Telephone Op. (PBX)	3050	2652	398
Telephone Op. (Chief)	4080	3276	804
Typist-Clerk	2680	2314	366

"During the last year or more," Mr. Thayer said, "most private concerns have had the experience of losing one or more of their female employees to federal service. The reason in the great majority of instances has been 'more money.' In talks with the girls who were leaving, personnel directors found that uppermost in their minds was the thought that they would be getting higher weekly pay and not that they would have to work 2½ to 5 hours longer a week for that increased income."

TRENDS IN MOVABLE OFFICE PARTITIONS

WITH OFFICE construction curtailed by the growing shortage of steel and other defense-needed materials, more and more companies are thinking of partitions as the solution to their space problems. Movable partitions, particularly, seem to offer many advantages. Not only do they make maximum use of what space there is available, but, in view of uncertain business conditions directly ahead, their easy installation or removal are most attractive to a firm unsure which departments it will be expanding or consolidating during the next year or so.

To augment their present space, some companies are remodeling unoccupied warehouses, lofts, garrets—even pool-rooms. To cite one case: the Association of Westinghouse Salaried Employees found approximately 3,200 square feet of space on the second floor of a building across the street from the Westinghouse plant in East Pittsburgh, Penna.

The manufacturer who tackled this job helped draw up a checklist of factors to consider in making the layout for these new offices. The checklist, which follows, is one which many companies may find basic to their own office problems:

"1. Functional relation between departments, individuals, and outside persons such as suppliers, customers, and service. Determination of these relations depends upon the use of an organization chart, diagram of work flow or office procedure, and an 'ideal' schematic arrangement.

"2. Area requirements of departments, private offices, coat rooms, stock rooms, rest rooms, and other areas. These allotments of space in many instances depend upon whether secretaries share offices with executives and an inventory of furniture needed in the office operation.

"3. Comparison of total space required with that available.

"4. Preliminary block assignment of space in the plan, giving priority to outside light for private offices and for those persons performing more difficult visual tasks.

"5. Refinement of block plan. This can be done by drawing in or arranging templates of actual desks, tables, files, chairs, and other furniture, using clearances and minimum room sizes calculated for different operations.

"6. Safety factors. These include the number and location of exits and the freedom of passage to exits.

"7. Lighting and ventilation.

"8. Isolation of noisy departments.

"9. Physical requirements of railings and partition runs.

"10. Location of telephones, buzzers, intercoms, desk light, convenience outlets, clocks and other services."

To provide against likely steel shortages, this manufacturer has also introduced a new panel construction, a non-metallic composition board of absolute, permanent flatness which is almost identical in appearance with steel panels. The new panels, according to the manufacturer, are "sealed from within and without, eliminating the effects of moisture, which causes old-style composition materials to warp. In addition, all panel edges are covered with metal to prevent chipping or cracking. Covered with two coats of baked enamel, the partitions have a rich, slightly textured finish which gives a warm, modern appearance to office, factory, laboratory, school, and similar interiors." Other advantages claimed are mar-resistance and more soundproofness than that of traditional masonry materials.

Partitions installed by another big manufacturer in this field transformed a three-story garage into a four-story office build-

ing for the Ohio Bell Telephone Co. Citing advantages over permanent walls, this manufacturer states that his three-inch movable wall is "more soundproof than a tile-and-plaster wall of twice that thickness"; that "a movable wall treated with insulmastic and packed with Fiberglas has four times the insulating qualities of a clay tile wall plastered on both sides"; and that "the surface of our movable metal walls has a baked-on enamel finish that is good for the lifetime of the wall . . ." The units can be wired for air conditioning, phone, and other electrical connections by means of "lay-in" raceways in both base and cornice as well as panel connections. Wire can be laid in from either side of the wall independently. "Normal business routine," the manufacturer points out, "is not interrupted by moving our walls since they can be completely changed overnight or during a week-end without dust, debris, or commotion."

—ALVIN M. HATTEL. *Office Management and Equipment*, August, 1951, p. 31:12.

An exceptionally good space-saver is an accordion-like partition with units that fold back on themselves when desired and, used as doors, save the waste space required by a swinging door. Used as a wall, this partition converts one room into two or more sections or closes off unused areas. A private office within an office can be created in a matter of seconds without leaving the room.

Another satisfactory movable wall is the all-glass partition which provides more light and a feeling of more airiness than the solid metal or wood partition, while its corrugated styling affords translucent privacy or semi-privacy. In addition to its ability to diffuse all available office light, corrugated glass is said to reduce glare. Sanitary-wise, it shows dust and dirt more quickly than most other materials, a helpful quality where a particularly clean appearance is desired. The glass can be moved readily by removing top and bottom holds.

Take a Deep Breath, Men

WE ARE ALL IN DANGER of succumbing, according to Dr. Luther H. Gulick, to a carboniferous or neolithographic age. Dr. Gulick, chairman of a committee making a survey of New York City's municipal offices, said recently that, "Anyone who ever worked in an office knows the system of preparing nine copies of a simple memo and then filing all nine." Applying his theories to one municipal agency, the Department of Purchase, Dr. Gulick tossed out more than 73 per cent of the records. That came to more than five tons of paper.

—*The Controller* 8/51

AMA OFFICE MANAGEMENT CONFERENCE

The Office Management Conference of the American Management Association will be held on Thursday and Friday, October 18-19, at the Hotel New Yorker, New York City.

FORM SIMPLIFICATION METHODS AND PROCEDURES

FORM SIMPLIFICATION involves "form control"—a term that has a mysterious meaning to many people. Actually, however, there is very little to form control and simplification, though it does require care and patience before direct benefits are apparent.

The main objective of a form control program is the curtailing of expense through (1) the elimination of unnecessary forms; (2) elimination of unnecessary operations; and (3) a reduction of printing costs.

The review of forms entails the following series of steps:

First, three copies of each type of form and envelope in use should be collected. This should include blank paper, adding machine tapes, checks, deposit tickets, etc. One copy is a "working" copy. The second is used as a "file" copy for review. The third copy serves as a "sorting" medium, when and if necessary.

On one copy of each form, mark in colored pencil the number of the form and a brief description of the form's use. Then, on the same form, list the departments which use it. Then sort out the forms according to the department using them. List the forms on a sheet with columns headed with the names of departments.

The next step is to separate all forms (either physically or by use of the checklist), according to whether they are used internally or are forwarded to correspondents or customers. This is done to see whether economies can be effected by printing "internal" forms on a cheaper grade of paper, and/or by using office duplicating machines.

If new forms are developed and installed too readily, consideration may not be given to such matters as envelopes for external forms. Will the new form fit

into envelopes currently being used? It is important to list the various forms which are mailed and the envelopes used for this mailing. Following the itemizing of forms, according to envelopes used, it is a relatively simple matter to make adjustments in size, etc., of other forms to consolidate types and styles of envelopes in use.

It is also important that all envelopes in use be listed so that comparisons may be made relative to size, style, and quality. The same procedure for determining the type of paper for external forms should be followed in analyzing envelopes.

Forms and envelopes should be listed by form number. This list will serve as a key record for reference purposes.

A list of forms and envelopes by departments using them should then be prepared. Such a listing will enable the setting up of records for future installation of cost accounting in that, with such a record, the usage of all forms can easily be determined.

These departmental lists should then be carefully compared for duplications to see whether more than one form is being used for the same purpose. Quite often, the addition of one line or block may make it possible to consolidate two forms. Consolidation of forms may be carried to greater length for internal than for external usage.

A by-product of form review is the establishment of a records-preservation schedule. The first step here is to assign to each form a number. Forms used exclusively by a department should be consecutively numbered—prefixed by the departmental letter. Forms which are general in nature and use should be assigned specific prefixes and should be numbered. For example, a form used as a receipt for packages delivered could be designated as

"K-1"—the "K" indicating forms of a general nature, not specifically allocated to any one department. Envelopes, letterheads, second sheets, and similar supplies, should also be prefixed by a separate letter, etc.

Schedules of retention should then be established for all forms. It will be found that common sense is the best regulator

of a practical retention schedule. The most economical method of retention, taking all factors into consideration, is a combination of physical retention and filming of records.

For purposes of future reference, it is suggested that a file be established showing a copy of each form, filed according to form number.

—R. F. FITZGERALD. *Auditgram*, August, 1951, p. 10:5.

Also Recommended • • •

DAILY PROGRESS REPORTS SPOTLIGHT OFFICE BOTTLENECKS. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), July, 1951. The Guarantee Life Insurance Company of Hammond spots bottlenecks by daily reports which are in the vice president's office by 10 o'clock every morning. In addition to these reports on office production and flow of work, there are detailed reports every six months on each of the company's 100 employees.

CUTTING COLLATING COSTS. By Lawrence W. Erickson. *Office Executive* (132 West Clinton Avenue, Philadelphia 44, Penna.), July, 1951. A detailed discussion of the most efficient methods for assembling sets of papers of various sizes, including descriptions of stacking methods, finger movements, and collator tools. The author suggests that, in an office where a great deal of assembly work is to be performed, a commercial mechanical collator might pay for itself in terms of greater speed and economy.

WASTED WORDS MEAN WASTED MONEY. By Louis Baldwin. *Bankers Monthly* (536 South Clark Street, Chicago 5, Ill.), August, 1951. A recent university study, cited by the author, indicates that 30 per cent of the average business letter is superfluous—and, with the total cost of the average business letter currently estimated at about 75 cents, wasted words are costly. The author presents many examples of good and poor letters to illustrate his recommendations for writing shorter and better business letters.

NEW OFFICES ELIMINATE OVERTIME. *American Business* (4660 Ravenswood Avenue, Chicago, Ill.), May, 1951. This article describes the innovations introduced by the Line Material Company in its new offices for eliminating overtime and improving morale in the face of increasing workloads. The devices include

underground parking, stairwell lighting, coffee served "on the house" twice a day, consolidation of all files, washroom improvements, etc.

HOW TO WRITE FOR TODAY'S BUSY READERS. By Rudolf Flesch. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), June 29, 1951. The author gives a practical 10-point summary of a formula by which readability may be improved and words and letters saved in the letters, memos, and reports which are required reading for management. He estimates that about half the man-hours used in reading these documents could be saved by more effective writing.

ARE YOU SUMMARIZING THE EASIEST WAY? By Oscar F. Moore. *The Office* (270 Madison Avenue, New York, N. Y.), August, 1951. The author discusses a number of rules which, if followed, will assist in finding the easiest way to classify and summarize statistical and factual material for convenient use.

OFFICE CONTROLS THAT EVERYONE CAN USE. By Theodore R. Blackmore. *Office Executive* (132 West Cheltenham Avenue, Philadelphia 44, Penna.), August, 1951. The procedure manual, operation sheet, and time study can be useful tools in any office, regardless of type or size, the author maintains. He discusses how practical application of these and other controls can be accomplished.

WRITE BETTER LETTERS. *Changing Times: The Kiplinger Magazine* (1729 H. Street N.W., Washington 6, D. C.), August, 1951. The secret of writing better letters, this article explains, is to forget that you are writing and to pretend that you are talking. The result will be more simple sentences, a more personal tone, no awkward constructions, and less excess verbiage.

Personnel Management

SALES-EYE VIEW OF THE PERSONNEL FUNCTION

A TIGHT LABOR market to the personnel director is just like a depression market to the sales manager. It is a period in which good customers are hard to find—but when one is found, all-out effort is necessary or he may be lost to someone else.

One way you can begin a sales approach to the employment problem is to take an objective look at your "sales force"—that is, those persons who do the interviewing. Do they have sales ability? Have they been trained to sell a product, a service, or a worthy cause? A lot of good job-seeking prospects can be lost by the wrong attitude or unskillful handling of the interview, just as sales are lost in the same way.

The next step in applying a sales approach to this employment problem is to list your selling points—that is, your job opportunities, employee privileges, and the so-called employee benefits. But once you list them, do something more. Thinking in terms of your prospect—and to sell, you must never, never think in any other terms—what will the selling points mean to him or her? Explore them thoroughly.

If you have a Credit Union, for example, don't just list it and forget it. Point out the advantages of "painless" payroll deductions for such things as vacation money, Christmas expenses, or just plain savings. Explain the convenience and lowered cost of emergency loans which may be unexpectedly needed.

Make this same analysis of all your selling points—your incentive plan, if you have one, insurance programs, profit sharing, vacation policies, suggestion system,

paid holidays, your parties, sports and recreation programs, the quality of your office or shop equipment, your company's employment stability and job security, and any training plans or helps for personal advancement you offer. Every company will find that it has at least a score of employment selling points if they are just dug out, and once dug out, dramatized and sold in terms of the other person's interests.

The final step in taking a sales approach to the subject is to make sure your salesmen know these points and can explain them. Like any good specialty salesmen, they should be equipped with sales portfolios which illustrate by photos, charts, or other graphic means, the employee privileges you have to offer. If you have a complete and graphic employee handbook, perhaps it can serve as the portfolio; but remember, it's just a catalog and can only be really effective if the salesman—i.e., the person who conducts the interview—makes an oral presentation. If that weren't true, catalogs would have replaced salesmen long ago. Use your advertising manager's talents in building your job selling portfolio. It's an assignment which is right down his alley, and you'll find him eager to assist on this out-of-the-ordinary job. And bring to bear the allied talents and services of your public relations director. He, too, can make a big, and a continuing, contribution.

Though this plan will help in a tight labor market, you will find it equally helpful at any time in getting a larger share of better employees.

—From an address by H. M. NORDBERG before The California Personnel Management Association. The complete text of this paper is available at \$1.00 per copy from the California Personnel Management Association, 2180 Milvia Street, Berkeley 4, California.

PROBLEMS IN IN-PLANT FEEDING

RECENT STUDIES indicate that it is the normal pattern, where a company provides food service for its workers, for it to lose more money than it counted on. Losses per worker per month range from a low of a few cents to a high of around \$2.15. In general, company-operated services cost a lot more than those run by an outside contractor. And small companies find food services more expensive than do the big ones. Yet most employers apparently have no feeling that food service should pay off—they're satisfied to run in the red if worker morale is improved.

The researchers who have piled up facts and figures on feeding employees make the following practical suggestions: First, you can increase a cafeteria's capacity by staggering lunch periods. You can speed service by arranging special lines for coffee. Check to see whether present kitchen facilities can handle more customers if distribution facilities alone are increased. If employment fluctuates and you hesitate to put in more cafeteria equipment to meet peak loads, try can-

teens or mobile units. They may also be more efficient than an increase in cafeteria facilities if your facilities are spread over a large area.

Second, if many of your workers bring their lunches, provide space in the cafeteria for them.

Third, if your costs are too high the following economies are suggested: Cut out frills such as waiter service for executives. Add vending machines to offset unprofitable operations. Cut breakage and labor costs by using paper service. Check full utilization of food-service workers—i.e., the girl who makes salads in the morning may make change during the lunch hour. Try a fixed lunch at a special price to cut expensive variety. Cut out dishes in small demand.

Finally, if food service workers are hard to get, consider hiring housewives on a part-time basis. To the extent practicable, use shortline systems such as mobile units and snack bars that require fewer food-service workers in proportion to number of customers. And consider using office or production workers to help with the serving.

—Executive's Labor Letter (Bureau of Business Practice, New London, Conn.), July 17, 1951.

Sharing Information with Workers

THE FEBRUARY, 1951, ISSUE of the *Lever Standard*, published for employees of the Lever Brothers Company, opened its pages to all employees with an offer to answer frankly any questions they might have about the company, its policies, or its operations. An employee's questions may refer to his own plant or location or to over-all company questions.

All answers are not, of course, printed in the *Lever Standard*. Those questions not of general interest to all employees are answered personally. The first questions and answers appeared in the March issue of the magazine, and in that issue, a card entitled "Here's What's on My Mind" was included to make it convenient for the employee to send in his question to the editor.

With the many difficult problems concerning production and labor during this period of emergency, a page such as this in an employee magazine helps the worker to "blow off steam" a bit as well as to get the real "lowdown" on day-to-day activities.

—The Dartnell Corporation, Chicago, Ill.

THE CLOSED SHOP IN HIDING

MORE than four years after the Taft-Hartley Act was passed, the working of its most important provision is still in doubt. That provision is the ban on the closed shop, about which the act is explicit. The NLRB has been consistent in throwing out contracts that require union membership as a condition of employment. But despite the board and the law of the land, the closed shop in some form has continued to thrive in several sectors of the economy. Why has the law presented so many problems?

Difficulty No. 1 has been the so-called "preferential hiring clause," which, since it is capable of endless variations, has confused the law on this point almost beyond recognition. San Francisco Local 24 of the A. F. of L. Bakery Workers, for example, has this clause, which is apparently legal: "Employers shall give preference of employment to persons who have had previous experience in the baking industry in the geographical area covered by the agreement . . ." Since San Francisco Bakery Workers had the closed shop for many years prior to the signing of this contract, it is obvious that men hired under it will virtually always be union members. The NLRB generally upholds "grandfather clause" contracts of this sort unless it is convinced that a

non-union worker cannot get a fair shot at a job.

Difficulty No. 2 is the attitude of the employers, who almost always appear to be willing to play ball with union leadership on hiring rules; the complaints that the board gets usually come from workers who weren't hired. The only time the employers are likely to fight the closed shop is during negotiations; it is an unfair labor practice per se to demand the closed shop in bargaining sessions, and when the printers did so two years ago, they were beaten by the American Newspaper Publishing Association. Much more characteristic is the attitude of the fur industry in New York. Ben Gold's Fur Workers had a contractual closed shop for years in New York. Taft-Hartley forced a revision in the wording of the contract, but not in the practice; many manufacturers and retailers in the city continue to hire only union members. To do otherwise, it is universally understood, would be to court slowdowns, absences for illness, and miscellaneous annoyances.

The exact number of bootleg (i.e. verbal) closed-shop agreements is unknown, but the NLRB believes them to be on the rise. It is actually a moot question whether more or fewer workers are under closed-shop conditions since Taft-Hartley.

—Fortune, September, 1951, p. 62:2.

PAY CONTROLS ENTER NEW PHASE

TO BORROW A PHRASE from Mr. Churchill, wage and salary stabilization has reached "the end of the beginning." Passage of the law extending pay and price controls finds WSB and SSB organized and functioning. The uncertainties now to be faced involve adjusting the basic control idea to the Capitol's soft policy on

inflation. A new stabilization rule has shaped up, under which employers lacking escalator clauses or cost-of-living clauses will be allowed to add them to their wage agreements.

This opens the door to a different question—will labor seek advances over and above the increased cost of living? If so,

by what avenue? Will "fringes" be the vehicle, or will the unions press for a "national defense pattern"? The latter would allow increases beyond the allowable 10 per cent in defense plants, causing manpower to flow in their direction. Another avenue might be the "depressed industry" theory, invoked in the Shipbuilding Case.

If war clouds thicken, labor may forego wage increases above the cost of living. But if war fears diminish and emergency pressures wane, the Board will be swamped with dispute cases and urgent demands for increases.

Meanwhile, revised Regulation 5 opens the way for companies, without established plans governing merit or length-of-service increases, to draw up formal job classifications and rate ranges and submit them for approval.* Companies without formal pay structures will have to obtain Board approval every time they wish to give a merit or length-of-service increase.

The plans most likely to win approval are those arrived at through evaluation, since formal pay structures of this type provide the only scientific basis for wage and salary administration. Whatever happens emergency-wise, evaluations will be relied upon to an increasing degree.

Spreading allowable increases evenly over the payroll will not correct inequi-

ties, while using the greater part or all of it to iron out inequities will arouse resentment from those not getting raises. Related to this problem is the fact that merit increases up to 6 per cent a year are allowed by Regulation 5. In approving plans to effectuate such increases, the Board permits a range of 25 per cent between the minimum and the maximum for non-executive jobs. On executives the range is higher.

Both general increases and merit increases are effective only if they are keyed to a formal classification system based on evaluation, as permitted under the regulation. Adopting such a plan is quite expensive, because the adjustments to align the grades usually cost from 2 to 5 per cent of the payroll. Where is the money coming from?

The answer is simple for those who have not used up the pool established under Regulation 6: Evaluate and then apportion the 10 per cent between increases and adjustments—say 8 per cent for the first, 2 per cent for the second, or whatever other apportionment is needed. This is permissible, because the Board has said that a portion of the general increase can be used for removing inequities.

If your pool is used up, an evaluation is still in order, because general increases based on cost of living are possible. Now is the time to earmark the funds—so that increases and adjustments will be satisfactory to all concerned, and so you will be able to give merit increases over the next four years.

—*Management and People Newsletter* (Fisher & Rudge, New York, N. Y.)
August 23, 1951, p. 1:2.

ADD ANOTHER FRINGE ITEM to the long list of "with pay" benefits employees get. This one is a week's leave of absence with pay for employees who get married. The new policy has been set up by Pitney-Bowes, Inc., Stamford, Conn. Here is how it reads: "One week's absence with pay will be allowed an employee who requests time off to be married. Additional time off will be granted if desired, but will be considered a leave of absence without pay unless taken as vacation due."

—*Factory Management and Maintenance* Vol. 109, No. 2

Strikes Are Ancient History

A UNIVERSITY OF CHICAGO scholar has dug up—literally—a strike that took place some 3,100 years ago.

Just about the time the siege of Troy was going on, workmen excavating and decorating the tomb of the Egyptian Pharaoh, Ramses III, refused to work because they didn't get their pay on schedule.

The record of the strike is in an ancient Egyptian office memorandum, translated in a recent issue of the *Journal of Near Eastern Studies*, by William F. Edgerton, Chairman of the Department of Oriental Languages, in the University's Oriental Institute.

The workers literally went out on strike, leaving their job in the Pharaoh's tomb, and gathering in other nearby places. When government officials were hastily summoned, the workers refused to go back, explaining:

"It is because of hunger and because of thirst that we come here. There is no clothing, no ointment, no fish, no vegetables."



Although the record is incomplete, the workers apparently struck five times during the course of a single year when their rations were not delivered on time or were inadequate. Each time they refused to work until the rations were delivered, and each time they apparently won their point.

Even though there was inflation at the time, which had increased the price of wheat 500 per cent, and which might have made it difficult for Ramses III to gather enough food for them, Edgerton suggests the strikers might have been working a primitive shakedown racket.

One of their relatives, named "To," had been appointed vizier to the Pharaoh, and was the second most powerful man in Egypt. Instead of being near starvation, the workers in the royal tomb may merely have been putting pressure on their relative.

The apparent lenience with which the strikers were treated by the meeting of their demands may have been due either to the influence of To, or to the importance of their work.

First notice of the strikes is found in a primitive fragment of ancient pottery in a Berlin museum. The continuing story, on mutilated papyrus, was set down for the record by an ancient scribe and is currently in a museum in Turin, Italy.

—The CIO News 8/13/51

EVALUATING THE EMPLOYEE RECREATION PROGRAM

OVER 20,000 companies now have some form of employee recreation program, while the amount spent on industrial recreation programming is more than double that spent three years ago. This expansion of employee recreation programming has brought with it a recognition of the need for constant evaluation of individual recreation programs.

The first thing to do in evaluating your employee recreation program is to examine what it offers. Only then will you know what should be evaluated. The following must be considered: (1) leadership; (2) facilities; (3) cooperation; (4) appeal to all interest groups; (5) the spread of types of activities. A recent Conference Board report shows that of the first 100 of the 158 activities listed, 50 per cent were sports and athletics, 25 per cent were educational and cultural, and the other 25 per cent were of a social nature.

Personal contact is important in evaluation. Criticisms, both negative and positive, from employees and supervisors should be encouraged, for they help greatly in making a realistic evaluation of recreational activities.

One of the most important ways of evaluating a program of employee activities is through personal observation. Take a look at the clubs in action. Drop in now and then casually on the sports groups. See them at play and note the

level of interest, cooperation, sportsmanship, etc. You can tell whether the activity is a success by the way it is entered into.

Records of participation present a tangible means of evaluation, provided you know how to interpret the figures once you have them. Recognition should be made not only of the numbers involved in direct participation but also of the often large groups of spectator participants. Aggregate figures tell the evaluation story better than just one accounting, because the significance of sustained activities is easily as great as that of initial participation. Usually every program demands this kind of continuing record if only as a means of computing per capita and per activity costs for budgeting purposes.

However, it is still questionable whether a very exact evaluation of recreation programs is possible. You can't wrap your activities program up on a counter, put on a string, and say, "It's worth \$100,000.00 in good employee relations." This should be recognized. In the interest of knowing what is going on, however, the importance of participation figures cannot be overstressed. We must know per capita costs of programming and should make regular checks against complaints, absenteeism, and sound out employee attitudes about the program if it is to operate successfully.

—From an address by WILLIS H. EDMUND before the Midcentury National Recreation Congress.

AMA FALL PERSONNEL CONFERENCE

The Fall Personnel Conference of the American Management Association will be held on Monday, Tuesday, and Wednesday, September 24-26, at The Waldorf-Astoria, New York City.

Labor Forces up 25 Million by 1975?

NOT THAT it makes much difference so far as your immediate problem of getting people to man your plant and office is concerned, but the U. S. Department of Labor has looked long and hard into its crystal-gazing ball in Washington, said the proper magic words, and come up with the news that 25 million persons, half women, will be added to the national working force between now and 1975.

"On the basis of past trends," the press release states, "a pronounced decline in the rate of labor force activity among men 65 years and over is indicated for 1975. The study suggests that positive measures will have to be adopted by industry, labor, and government in order to avoid the economic wastage and individual frustration resulting from premature separations of many older workers from gainful activities."

—*News Letter* (Dartnell Corporation, Chicago, Ill.) 6/23/51

Industrial Editors' Slogan for Emergency Production

AMERICA WANTS PEACE and it is one of the jobs of employee publications to tell their 40 million readers that their production might, when fully used, is the only way we can enforce our moral right and thus make peace secure. This is the reasoning behind the adoption by the American Association of Industrial Editors of the slogan, "Peace—Through Moral Right and Production Might," with its accompanying emblem, and its recommendation that the slogan and emblem be reproduced in employee publications throughout industry.

The slogan was originated by Robert D. Breth, public relations counsel and publisher of *Quotes Ending*, the publication of the A.A.I.E. Its accompanying emblem was designed by C. E. Hawley. It is estimated that the message has already appeared in well over 1 million copies of various employee and trade publications.

Any editor desiring copies of the poster in repro proof form may obtain them without charge by writing to Robert D. Breth Organization, 1728 Cherry St., Philadelphia 3, Penna.



DEPARTMENTAL LIAISON MEN REDUCE PERSONNEL-RELATIONS COSTS

THIS IS THE STORY of how one large Northern woolen and worsted mill solved the problem of having overseers, department heads, and even superintendents spend too much time on personnel and labor-relations problems and too little on production.

Hundreds of supervisory hours were being lost every week on non-manufacturing problems. The personnel manager knew little about the details of the textile business. How in the world, production men asked, could he be expected to handle dollar-and-cents grievances involving machines, workloads, rates, and such, if he didn't understand the production setup and skills involved?

Here is how the mill went about solving its problem.

To free production people from time-consuming labor problems and to allow the personnel department to understand better the production department's problems, management decided to bring two new men into the personnel department for the purpose of setting up a labor-relations liaison system. Advantages of such a system proved two-fold:

1. With the assignment of one of these two personnel representatives to each of the major production departments (with the two men stationed at desks in these departments), more accurate information regarding personnel matters reached the industrial-relations office. The industrial-relations director was therefore in a better position to correct or back up production supervisors in their dealings with employees and the union.
2. Production superintendents were able to delegate grievance fact-finding duties to their personnel representative and also to have desired labor-relations policies carried out for them through this representative.

The liaison man reported directly to the director of industrial relations, worked with production heads in each case, and assisted all other levels of supervision.

The personnel department initiated the program by selecting two men who had previous training and experience in personnel work or related fields and were definitely qualified, in everyone's opinion, to handle the special assignment. These men put on old clothes and spent six months going through every single department in the mill, working on changing shifts, studying manufacturing processes, and meeting employees, overseers, and all others concerned with each operation. After six months they were brought back to the industrial-relations office, where they were familiarized with all phases of industrial relations as practiced in the mill. The men sat in on contract negotiations, arbitration cases, and fourth-step grievances; they met union representatives. At the end of the training, the mill had two men who knew something about manufacturing, personnel, and the union.

The liaison man never acted as a substitute for the foreman in personnel disputes. Rather, the personnel representative operated *through* the supervisor, remaining in the background, backing him up by helping him to make his decisions stick.

Because it was known in the mill that there was someone who had the interest and time to listen to gripes, grievances, and problems, there wasn't anything that couldn't be settled fairly. Production men supported the plan because it afforded them a direct channel to top industrial-relations policy for settling problems on the spot, and it gave them more time to devote to their departments. The indus-

trial relations director was equally pleased with the program because fewer grievances went to the fourth step, and the cost of industrial relations work was re-

duced. Further, through his liaison man, he knew more about daily conditions in the plant and was better able to serve the interests of top management.

—MONROE B. SCHARFF. *Textile World*, August, 1951, p. 222:4.

FACTORS IN DETERMINING RETIREMENT AGE

THE ASSUMPTION that an arbitrary age is a good basis for retirement is invalid. Chronological age alone should not determine time for retirement because: (1) It is unitary factor. (2) It is completely arbitrary. (3) It disregards individual differences among retirants. (4) It overlooks the psychosomatic characteristics of the worker. (5) It overlooks the moral and ethical factor of the right of an individual to continue working. (6) It disregards the potentialities of job realignment, job dilution, better worker placement, and other administrative remedies.

What then is a proper basis for determining retirement age? Some of the main factors involved in establishing this basis might be classified as follows:

Compensation factors. Here there are possibilities for reducing the rate of pay with increasing age and a demonstrated lessening of ability to do the job. This might be compared to apprenticeship in reverse.

Performance factors. The main problem here is to develop a procedure or technique for objectively determining the performance of people without regard to the unitary factor of age. Most merit rating plans leave much to be desired in terms of objectivity and the critical requirements of jobs. A new research approach might open the way to a more objective and acceptable method of rating a man's performance on the job. This in turn could demonstrate the extent to which the individual can continue to per-

form the job in a satisfactory manner.

Physical factors. Most companies provide only for medical examinations at time of employment. In addition to continuing medical examinations on a systematic basis, companies could also measure such factors as strength, fatigue, and the like. Physiologists and the physical education researchers have developed and demonstrated some of the types of examinations which might be used in industry. The Physical Fitness Index developed by Rogers, for example, is one of these.

Psychological factors. These would include the extent to which the individual is ready for retirement in terms of his attitudes and opinions, the extent to which he has made adequate psychological preparation for quitting work, and based on this, adequate plans of a domiciliary and financial character.

Technological factors. The march of technology tends to make jobs easier rather than harder and places a premium upon judgment and experience rather than on physical effort. This means that retirement might well be looked at in terms of the technological situation or setting in which the man might work.

The moral and ethical factors. Thus far, arbitrary retirement at 65 has side-stepped or failed to face up to the moral right of a man to find a job or to work as long as he can adequately discharge the duties of the job. I would raise the moral question of whether industry or management has the right to say that people at

65 must arbitrarily give up their jobs and thereby be deprived of creative employment and the income that it brings. I know of no moral sanctions that give companies, unions, or government such arbitrary and exclusive power.

—ROBERT K. BURNS in *Proceedings of the Third Annual Meeting of the Industrial Relations Research Association*. (Order from the Secretary-Treasurer of the Industrial Relations Research Association, Park and University, Temp. 3, Room 5, Madison, Wisc.)

Why Not an Idea-Reporter in Your Plant?

IT'S SURPRISING that ideas don't get spread around more within companies and plants. On second thought, is it really so surprising—when "doing" and "solving," not idea-spreading, are the primary jobs of the plant executive or supervisor?

Here is a suggestion a plant management might well try out: Assign someone in your plant to the definite job of (1) searching out good ideas developed by one department or section; and (2) passing them along to the rest of the plant operating people—perhaps with some suggestions of possible ways they could be adapted elsewhere. Very often the fellow who develops a bright idea of a very practical kind in plant operation doesn't realize that it would interest others—and perhaps spark another idea. It takes a reporter to sniff out the facts.

The "reporter's" job in your plant won't get done—usually—unless you make it the specific task of some one person. It probably wouldn't have to be a full-time job in a moderate-sized plant. But it should definitely be on someone's schedule of regular duties—with time set aside for it.

The idea is no good if you don't find the right reporter. It takes a man who is interested in everything—really interested. He can't be a know-it-all; he must be willing always to ask "silly questions." He must have the knack of building confidence in himself among the "news sources" he deals with. In any interview, his questions must progress fast from the "silly" to the "savvy."

Reporters like that aren't a dime a dozen. But you can develop a few in almost every group.

—*Factory Management and Maintenance* 8/51

What Employees Need to Know About A-Bomb Protection

THE ABC's of A-bomb protection in the home were effectively dramatized for the 7,000 employees of Lever Brothers Company in a six-page picture story featured in the August issue of the company house organ, the *Lever Standard*. The "star" of the picture series, a regular Lever Brothers employee, was shown at home, with his family, making the necessary preparations as recommended by the Office of Civilian Defense, for possible A-bomb attack. Steps to be taken in the event of a sneak attack or one in which a warning is given are also illustrated, as well as safeguards which should be employed after the attack. The article also describes and illustrates the preparation of the basic Civil Defense Kit, its contents, costs, etc., which the Federal Civilian Defense Administration has recommended be assembled and kept in the shelter area of every home.

Copies of the article, which has aroused a great deal of worker interest because of its simple but dramatic treatment of material which is of service to every employee, may be obtained by interested readers of *THE MANAGEMENT REVIEW* upon request to the Public Relations Department, Lever Brothers Company, 80 Varick Street, New York 13, N. Y.

The Keys to Sound Supervisory Relations

DURING WORLD WAR II, foremen were called the forgotten men of industry. The present emergency may again cause supervisory unrest unless management takes some positive preventive measures. Here are 11 practical pointers which are basic in establishing good foreman relationships.*

1. Clearly define the foreman's job and its place in the organization. Then be sure you let him know about it.
2. Listen to your foreman. Get the benefit of his intimate knowledge of what goes on at the firing line.
3. Keep the personnel department as a staff aid to the foreman. Don't let Personnel be a crutch to him.
4. Don't bypass the foreman in making policies he is expected to administer.
5. Train the foreman's boss, so he's a good supervisor, too. Often the foreman's weaknesses are really those of his boss.
6. Keep the foreman informed of what's going on. Set up channels to beat the grapevine.
7. Impress foremen that they speak for management when they speak. That means you must back up their decisions.
8. Don't forget the "little things" that help give the foreman prestige and status—not having to punch a clock, parking space, office, etc.
9. Give proper recognition and credit to foremen for extra performance and activities, including community activities.
10. Set up objective methods for picking really well-qualified men, then train them thoroughly. Get them started right.
11. Last, and most important: Know your foreman—intimately, and on a cordial, lastingly sound basis.

—*Factory Management and Maintenance* 6/51

* These and other policies for improving supervisory relationships are treated in detail in AMA Research Report No. 7, *The Development of Foremen in Management*.

One in Ten a Potential Crook

EMPLOYEE DISHONESTY cost American business an estimated half billion dollars in 1949, according to the American Surety Company.* If one considers the prevalence of anti-social personalities, as disclosed by temperament tests, however, this toll is not surprising. In 1948, in analyzing the results of 1,000 Humm-Wadsworth Temperament Scales administered to nationally distributed employees with at least a year of service, it was found that 97, or nearly 10 per cent, had the ethical make-up of San Quentin recidivists. Stated another way, if you tap a permanent employee at random, your chances of hitting a potential crook are about twice as good as your chances of rolling eleven with an honest pair of dice.

—*Personality Series* (Humm Personnel Service, Los Angeles, Calif.)

* See *THE MANAGEMENT REVIEW*, June, 1951.—Ed.

NO TIME TO QUIT: Most American men do not want a life of complete leisure when they reach retirement age. So Northwestern National Life Insurance Co. concluded recently after polling 3,000 of its policyholders of all ages. Results: only 24 per cent wanted to stop working altogether at retirement age, 39 per cent hoped to cut down their work load slightly, while 37 per cent preferred to keep going full steam as long as they could. Their favorite goal for part-time occupation after retirement: small-scale farming. Most popular hobby: hunting and fishing.

—*Time* 8/20/51

Also Recommended • • •

KEY TO DEFENSE PRODUCTION IN FOREMAN'S HANDS. By Fred Rudge. *The Iron Age* (100 East 42nd Street, New York, N. Y.), August 23, 1951. The author emphasizes the importance of strengthening the foreman's identification with management—especially at the present time when the strains of emergency production are mounting. He concludes with some recommendations for giving foremen the help, the authority, and the prestige they will need to meet the stepped-up schedules and other special problems of defense production.

A HELLUVA SHORTAGE OF ENGINEERS. By Lawrence P. Lessing. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), September, 1951. The author predicts that the shortage of engineers, far from easing, will grow worse and that through 1952 and 1953 it will become more critical to the welfare of the nation than the shortages of steel, chromium or the other base materials of engineering. Before any lasting solution can be found to the shortage of scientific and technical personnel, a long-needed shift in national attitude may be required to restore much of the prestige and glamour which have been departing from the pursuit of the sciences.

THE APPLICATION OF PSYCHIATRY TO INDUSTRY. Committee on Psychiatry in Industry of the Group for the Advancement of Psychiatry. (3617 West 6th Avenue, Topeka, Kansas.) Report No. 20, July, 1951. Single copies, gratis. This 10-page report, prepared by a distinguished group of psychiatrists and social scientists, summarizes some of the contributions which psychiatry is making in its contacts with industry through industrial medicine, supervisory training, and human relations programs.

COLLECTIVE BARGAINING TODAY. By Paul L. Styles. *Labor Law Journal* (Commerce Clearing House, Inc., 214 N. Michigan Avenue, Chicago 1, Ill.), August, 1951. The author, a member of the National Labor Relations Board, in this address before the 39th Convention of the American Federation of Hosiery Workers, expresses his belief that, for the duration of the emergency, collective bargaining should be the tool for sharpening and shaping collective bargaining procedures. Although emergency and stabilization measures will necessitate modification of collective bargaining, management and labor to preserve and augment their joint strength, should fashion through negotiation, those modifications.

SOLAR FINDS RESERVOIR OF TALENT. By Helen Waterman. *American Business* (4664 Ravenswood Avenue, Chicago 40, Ill.), August, 1951. Solar Aircraft's San Diego plant adds three or four handicapped workers to its payroll every week, in line with the company policy of giving jobs to anybody who is qualified to do the work, regardless of his impairment. Here is a description of this mutually advantageous program whose practicability is reflected in the fact that employment of many near-blind and severely crippled workers has not resulted in a single lost-time accident in the plant.

NIGHT LIFE ON AN EXPANDING THIRD SHIFT. By Augustine De Camillis. *Supervision* (95 Madison Avenue, New York 16, N. Y.), July, 1951. It is hard to get the same degree of alertness, industry and morale from employees working from 12 to 7 as it is from employees working the normal day shift or the less accentuated irregular shift from 3:30 p. m. to 12. This is an account of how Pratt & Whitney Aircraft attempts to equalize the efficiency of the shifts, primarily by finding people who want to work nights and then making it as pleasant and convenient as possible for them to do so.

SITUATIONAL TESTS: II. LEADERLESS GROUP DISCUSSION VARIABLES. By Bernard M. Bass. *Educational and Psychological Measurement*. (Mt. Royal and Guilford Aves., Baltimore 2, Md.), Summer, 1951. Presents further evidence of the usefulness of the leaderless group discussion method in measuring several aspects of social intelligence, social ability, and the tendency to assume a leadership role in situations involving verbal interaction.

ESTABLISHING A COMPANY PROGRAM OF METHODS DEVELOPMENT. By Ralph M. Barnes. *Management Report No. 87*, Research Division, California Personnel Management Association, 870 Market Street, San Francisco 2, Calif. 15 pages. \$1.00. Professor Barnes covers the following topics in this paper: (1) the nature of motion study and job simplification; (2) its objectives in a business and industrial organization; (3) the procedure to be followed in introducing a methods improvement program in an organization; (4) evaluation of the program's results. The total cost of a methods training program, he declares, will in most cases be more than offset by the savings resulting from the projects worked out during the program itself.

NON-PRODUCTIVE TIME AND ITS PRACTICAL IMPLICATIONS

MANY PLANT MANAGERS are not aware of the fact that the study of non-productive time and its causes is probably the most effective means of increasing production output per man-hour and thus achieving sizable economies in production costs.

To obtain data on the relation between productive time and non-productive time, the writer made extensive research studies in two plants in the ladies' garment industry with different degrees of technological development and managerial control.

The studies themselves lasted from four to eight hours each and were made on 100 workers assigned to 30 representative sewing and pressing operations. These operations were of the type in which the worker exercises almost complete control over his own pace.

In each study, continuous stop-watch readings were taken of: (1) the time required to perform each subdivision of the operation; and (2) the time consumed by delays. Delays were classified into two major groups: unavoidable delays, like machine breakdowns, for which the worker is not responsible; and avoidable delays, like talking, for which he is.

Distinguishing between productive time and non-productive time permits an analysis to be made of the relationship between the nature, frequency, and duration of delays on the one hand, and the work method and the work pace on the other. To do this, it was first necessary to develop a common denominator for operations of different types. In this case, the common denominator selected was the ratio of the production standard to the av-

erage time required to complete a production unit. This index of relative productivity was then computed for a group of representative operations.

The results showed that the percentage and duration of delays recorded for a worker are closely related to his productivity. Workers with smaller indexes (i.e., with relatively poorer productive efficiencies) have by far the greater total percentage of delays. Thus an extremely sensitive index of a worker's rate of improvement is his ability to reduce the percentage and duration of delays, especially of a personal character. The findings also indicate that the primary cause of workers' improved productive rates is superior work methods rather than an accelerated work pace. This means that a substantial amount of time should be spent in training and instruction programs to eliminate delays of various types. A program intended to reduce the percentage and duration of delays should devote a substantial amount of attention to individual workers and their work methods.

Considerable evidence obtained from the same studies shows that the nature, percentage and duration of delays, especially of a personal character, depend upon the individual worker. The data further indicate that personal and other delays may be required by the worker to produce at a rate that is optimal for his individual purposes. Workers may actually produce more in the long run by using certain extraneous motions and groups of motions than if they were to try to adhere to a completely productive work method, which is the intention of the

commonly accepted "one best way" approach.

From a managerial standpoint, it might then be advantageous to introduce certain extraneous motions systematically into the optimal work method used, say, for instructing workers. Since the type of delays encountered varies from one industry to another, studies would be required to

determine which extraneous motions increase the total output or simplify the worker's adjustment to his task. As a result of such studies, it might be desirable to introduce an intentional pause, say, halfway through a production unit in order to achieve an optimal balance in the work pattern.

—From an address by ADAM ABRUZZI before the Semi-Annual Meeting of
The American Society of Mechanical Engineers.

CUTTING THE COST OF MATERIALS HANDLING

THE PROBLEM OF finding new ways to reduce materials-handling costs has long been of concern in my company, as in many others. In our case, the result has been an intensive materials-handling improvement program, which I shall briefly describe here.

The program was designed primarily to provide the various operating divisions of the company with a uniform approach to materials-handling cost improvement through: (1) a plant-wide survey of the materials-handling system as a whole; and (2) materials-handling area studies, which analyze each materials-handling situation individually with a view to possible methods improvements.

The first step in making the plant-wide survey is to develop a plant activity layout drawing, showing building outlines and types of activities performed in various areas. The location of transportation aisles and fixed materials-handling equipment—such as cranes, elevators and conveyors—is also indicated.

On another plant layout drawing, the flow of the major materials, assemblies and products is traced. Methods of transportation, quantities moved, and frequency of moves are described. The number of freight cars and trucks handled is listed for receiving and shipping activities. Other drawings trace the flow

lines of the other major materials and product lines for the plant.

The cost centers of materials-handling expense are determined and the outlines of their area traced on the plant activity layout drawing. Similarly, the areas of receiving rooms, storerooms, and shipping rooms are traced on the plant activity layout drawing. For each of these areas the factory expense pertaining to materials handling is noted. This expense usually includes all wages, salaries, supplies, repairs and renewals of equipment incident to the operation and maintenance of the activity.

A study of this kind should suggest areas where materials-handling costs are excessive. In analyzing the flow diagram, look for backtracking of flow lines or points at which many flow lines cross each other. Straightening out the flow of materials and products, moving them as direct as possible from receiving to shipping without backtracking or crisscrossing often results in sizable cost reductions. Upon examining the statements of materials-handling expense, it will often be found that just a few activities account for a large part of the money spent for materials handling.

The second step, the materials-handling area study, which is conducted individually in each materials-handling unit,

consists of three types of analysis: (1) purpose of the unit; (2) sources of labor delays; and (3) flow of materials.

1. *Purpose of the unit.* Over the years of an organization's growth and contractions, the functions of units within the organization (e.g., shipping room, receiving room, etc.) are often altered to meet changing conditions. A comparison of the intended functions with the practices actually followed in the unit will bring out illuminating differences.

2. *Labor delays.* This form of analysis

—From an address by BERT HANSON before a conference held in connection with the Fourth National Materials-Handling Exposition.

consists of a study of the time taken to perform the work, and the time lost due to interferences.

3. *Flow of material.* This consists of an analysis of materials flow in terms of its basic elements (moves, storages and delays) to bring into focus essential and non-essential movements. The techniques used in analyzing material flows in a specific area are the same as used in the plant-wide survey—i.e., a flow process chart is used to record in detail and analyze the movement of materials.

Keeping Employees Posted on Production Progress

SURVEYS SHOW that employees want to know how they are making out. Since the by-word today is production for our "guns and butter economy," it is doubly important for workers to know what is expected of them. Here are four reporting methods used by supervisors who are "sold" on the value of letting employees know the production score:

Thermometer Chart. This is an easy way to report departmental results. Each week this bulletin board is revised by simply moving the arrows and production levels so that employees always know where they stood a year ago, the current level of output, and what goal they are shooting for.

Production Memo. One department head circulates a weekly memo to all his foremen. It includes a time-line chart of production results along with brief comments on output trends and action points. Foremen are asked to pass the information along in group meetings with employees. They find the memo helps to set the stage in their production talks.

Productivity Goal. Some companies report production results in terms of productivity. Based on past experience, a yearly goal is set for each department. Employees can watch progress on easy-to-read charts posted prominently near the time-clocks. And it is easy to make comparisons with records in other departments.

Man-to-Man. Beyond general reporting, many supervisors feel it is important to individualize production results. With the aid of simple records of their own, supervisors can contact each employee. Here there is a chance to commend those who are doing a good job. For others, coaching and personal follow-up can be applied directly.

—Elliott Service Company (30 N. MacQuesten Parkway, Mt. Vernon, N. Y.)

Industrial Loss Control

THE LIBERTY MUTUAL INSURANCE COMPANY is attempting to bring together the fields of industrial medicine, accident prevention, and industrial engineering in a comprehensive program designed to reduce suffering resulting from unsafe plant conditions, cut costs of compensation, and improve employee relations. (For free booklet, "Humanics, A New Concept Of Loss Control In Industry" write to the company's headquarters at 175 Berkeley St., Boston 17, Mass.)

—Manufacturing and Industrial Engineering 8/51

ADVANTAGES OF STANDARDS IN PURCHASING

WE IN THE PURCHASING Department at Ford Motor Company have become increasingly aware of the value of using standards and specifications wherever possible in the procurement of materials for several important reasons: First, the use of specifications and other standards simplifies and clarifies every step in the procurement process. Standard specifications save time and effort in determining needs; they lower unit costs by making mass production possible. Standards help the buyer and seller to speak the same language, and they enable the buyer quickly to compare the goods and prices of competing vendors. By eliminating unnecessary types, grades and sizes, standards enable purchasers to operate on smaller inventories at less expense, to buy in more economical quantities, and to get better deliveries. Standards reduce the cost of maintenance and repairs because fewer parts and supplies have to be carried in stock.

Moreover, increasing advantages are to be gained by changing from standards which are company-wide to standards which are in use throughout the nation. For example, during the war Douglas Aircraft Company saved \$268 per plane on the purchase of bolts alone by changing from a special company design to an industry-wide standard. Westinghouse saved \$25,000 in one year by reducing the variety of metal washers in its inventory from 1,350 to 150; it has also lowered its tool replacement costs.

In our Purchasing Department we conduct weekly cost review meetings on price and product analysis of production items

for the purpose of maintaining price levels and to consider the feasibility of manufacturing or materials changes which would help to reduce our prices or conserve critical materials. In the past no planned program for review of non-productive items had existed.

About six months ago 38 plants and branches making local purchases of non-productive items were requested to submit samples of a selected list of 400 items they were buying at their plants. Each item in the list had the following information tagged to the part: description, vendor's name, quantity of last order, date of purchase and price.

Our preliminary studies showed the need of specification and standards on many items, and the necessary steps have been taken to obtain them.

The apparent need for standardization on many items other than tools warranted the establishment of several subcommittees to handle this problem. The general managers of the various divisions were requested to appoint qualified representatives to these subcommittees in order that the experience of the best qualified people throughout the company might be utilized in the establishment of standards. The functions of the subcommittees are: to decide what should be standardized; assign responsibility for research; reject and approve recommendations; and submit approved recommendations to the company standards committee which will authorize final processing and publication in the standards manual.

—GEORGE M. RICE. *Pacific Purchaser*, January, 1951, p. 15:2.

EXPERIENCED OPERATORS in an incentive group may not take kindly to newcomers who, because of unfamiliarity with the job, pull down the incentive earnings of the whole crew. No such chance at RCA Victor. On days when new workers' ineptness would lower the earnings level, the pay of the experienced operators is based on their earnings during the previous week.

—*Executive's Labor Letter* (National Foremen's Institute) 3/1/51

SCRAP SALVAGE: CASE STUDY FROM BRITAIN

ONE MAN'S SCRAP is another man's raw material. To make scrap is human, but its organized collection and disposal is the cornerstone of any effective waste prevention program.

The organization of Ford Motor Company Ltd. of Britain, whose salvage program will be described here, is very nearly a self-contained unit, buying iron ore and coal and selling motor cars and tractors made from them. The huge Dagenham Works includes a blast furnace, coke ovens, power house and a foundry in addition to the manufacturing and assembly shops. All these departments use each other's salvage—and at Ford's salvage can mean anything from waste materials to surplus, secondhand, defective, and obsolete stock and equipment. The collection, processing, redistribution and sale of all this salvage is in the hands of a special department.

All finished parts that have been rejected by the inspection department because of flaws are passed to the salvage inspection department, where they are examined and classified. Material classified as scrap is listed on a special form, which serves the dual purpose of recording the percentage of rejects (a figure useful to the cost department) and also keeps a check on the performance of each department.

Wherever possible, rejected parts are reconditioned and returned as stock. Where this is not possible, they are treated according to their metal content and either melted down or sold as scrap metal. Practically all solid ferrous scrap is absorbed in the company's own blast furnace and cupolas.

Most of the steel turnings, borings, cuttings, swarf, etc. produced in the machine shop in the course of manufacturing components are either sold or returned to the steel-making department.

Oil and cutting compounds are put through separators, with particular attention being given to expensive cutting oils. Dirty oil is used again and again where lubrication does not call for any particular grade.

Non-ferrous scrap is collected independently in each department. Bins, with the contents denoted in white letters, are placed at strategic points, and it is the responsibility of superintendents and department heads to see that the correct material goes into each. Mixed material is useless for smelting and is difficult to sell.

A special department has been set up for dressing timber, and all surplus wood and packing cases are sent to it. Some are used again as they stand, while others are knocked down, to be used for making new cases and for other purposes. Even the nails drawn from the cases are recovered and sent to the blast furnace for making iron.

About five per cent of the material fed into the blast furnace for iron production consists of waste products from other sections of the plant.

In an organization the size of Ford's, manufacturing for a fluctuating market, occasional surpluses of some items of stock are inevitable. None of these is sold, however, until every department in the organization—including foreign branches—has been circulated with a list of the materials available.

Maintenance and care of plant and equipment come under the control of a special department, whose aim is to see that no machine is scrapped which is capable of being reconditioned. On the rare occasions when machines are to be sold, all parts and accessories which can be used by the company are first removed.

Gas from the furnace is cleaned by means of a Dorr thickener, which washes

it, the suspended solids being carried off to a tank where they form a slurry. About eight tons of iron-containing material are thus saved each day. The clean gas is mixed with pulverized coal and fed to the power-house, where it helps to produce steam for driving turbines. Slag from the blast furnace is crushed and sold for road-making.

—C. BRYANT. *Business* (180 Fleet St., London E. C. 4), August, 1951, p. 49:4.

Waste heat from the coke ovens is used to heat the boilers. On emerging from the ovens, the coke goes to the dry quenching plant, where it is tipped into containers. These are sealed off, and fans suck the heat from the coke passing the hot air to the boilers. This process alone has saved the company 30,000 tons of coal a year.

Microwave—Growing Medium of Industrial Communication

TODAY THERE are over 15,000 miles of point-to-point microwave radio networks being operated by utilities and pipelines. Six years ago the mileage was almost zero. And it's anybody's guess how far that phenomenal growth will continue. You can even find some prophets who say that microwave will replace all existing long-distance telephone land lines.

Microwave has a lot of built-in advantages that help make it a new favorite among large industries with lots of inter-communicating to do.

A microwave can be beamed with remarkable accuracy in a 50-mile jump. It offers a much closer tolerance than short-wave radio in this respect. Hence, the only limit to the number of microwave networks using a given frequency is that each network must be kept a few miles away from its nearest neighbor. The interference that besets two-way radio is scarcely a problem for microwave.

This accurate microwave signal can accommodate up to 24 separate and simultaneous circuits, handling voice, teleprinters, and telemetering. That's the equivalent of 24 individual telephone lines.

The cost of circuits varies. Roughly, the more and longer circuits you get, the less you pay per circuit mile. As a broad average, each circuit costs between \$90 and \$150 per mile. By comparison, a one-circuit land line runs from \$160 to \$280 per mile.

Installation cost isn't the only saving. Microwave needs almost no upkeep, while land lines need constant attention, especially in severe weather. Reliability is another microwave asset. Even the worst weather has little effect on it. Static, and fading caused by the ionosphere—the ionized layers of atmosphere surrounding the earth—bother microwave very little.

Operators of power and pipelines find still another advantage in microwave. They can use it for remote control of stations scattered along the line. Microwave, for example, will give reliable reports on such conditions as pressure and rate of flow at a gas pumping station. Should the power source fail, the microwave repeater station will automatically start up a standby generator.

—*Business Week* 7/28/51

AMA FALL PRODUCTION CONFERENCE

The Fall Production Conference of the American Management Association will be held on Thursday and Friday, November 8-9, at the Palmer House, Chicago.

Trucks Carry Heavy Share of U. S. Freight

A RECENT STUDY of government transportation statistics reveals that trucks now carry 8.3-billion tons of freight yearly, or 75 per cent of the nation's total freight tonnage. This total includes three billion tons hauled annually by trucks entirely within urban areas.

Railroads are next in line, carrying 14 per cent of the nation's freight. Pipelines carry 6 per cent and waterways 5 per cent.

In terms of ton-miles of freight carried, trucks carry 11 per cent, railroads 49 per cent, pipelines 9 per cent, and waterways 31 per cent.

Though U. S. truck registrations have risen 70 per cent in the last decade—from 5.1 million to 8.6 million—the nation's truck fleet today contains a much higher proportion of over-age vehicles than it did in 1941. Almost 30 per cent of today's trucks are 10 or more years old, and about 800,000 new trucks are needed yearly to replace scrapped vehicles.

These findings have been summarized in a new booklet, "Motor Trucks and National Defense," published by the Automobile Manufacturers Association. Copies of the booklet may be obtained without charge.

Also Recommended . . .

INSTALLING A COMPLETE QUALITY CONTROL SYSTEM. By Stanley C. Auren. (American Society for Quality Control, P. O. Box 1204, Milwaukee 1, Wis.). The first requirement in installing a quality control program is a complete picture of present scrap, rework, inspection cost, customer repair service, and manufacturing efficiency. The author discusses in detail the other factors to be considered in installing such a program, and emphasizes the need for a thorough job of selling to top management and to all department heads.

PLANNED HANDLING LICKS BUILDING HANDICAPS. American Machinist (330 West 42nd Street, New York 18, N. Y.), August 20, 1951. The methods which one New England plant has adopted to solve problems presented by limited storage space in which it must handle thousands of items—many in small lots, and varying in size, shape and weight—have wide applicability. The company's solutions to these problems demonstrate how standard mechanical equipment, properly used, will do much to overcome natural building handicaps.

THIS IS NO TIME TO LAUGH OFF PLANT SECURITY. By A. N. Weckslar. Mill and Factory (205 East 42nd Street, New York 17, N. Y.), July, 1951. Few of the plant units which now are, or will be, producing defense supplies are adequately protected against external attack from within. This article discusses the requirements of a good security program and the dangers that should be guarded against in making plans for protection of plant and employees.

QUALITY CONTROL—IT WORKS IN SMALL PLANTS, TOO. By John S. Morgan. Steel (Penton Building, Cleveland 13, Ohio), July 16, 1951. Presents the case for using statistical quality control in the smaller company. In support of his arguments, the author cites the experiences of a company employing only 165 production workers which has been operating a statistical control program with good results for the past five years.

1951 MILITARY JOB OF CONTAINERS IS TO DELIVER MATERIAL IN USABLE CONDITION. Packaging Parade (22 E. Huron St., Chicago 11, Ill.), February, 1951. Military personnel currently expect losses of material shipped overseas to be further reduced by between 95-100 per cent. This article describes the tests and methods which have been used to achieve the advances made since 1942, and the plans for further improvements in military packaging.

TRAINING PEOPLE FOR MAINTENANCE WORK. By B. J. Beitman. From the proceedings of a conference sponsored by the American Society of Mechanical Engineers and the Society for the Advancement of Management, held in connection with the Second Plant Maintenance Show, Cleveland, Ohio. (Clapp & Poliak, Inc., 341 Madison Avenue, New York, N. Y.) The author discusses the training program which Goodyear uses to insure the adequate supply of well-trained supervisors and journeymen required for continuous, efficient operations. A measure of the success of the program outlined is the fact that 75 per cent of the graduates of the staff and supervisory squadrons are now holding supervisory or administrative positions.

INDUSTRIAL SELLING DURING MOBILIZATION

MORE MANUFACTURERS are now shifting part of the sales job to outside agents and distributors. As in World War II, manufacturers find that direct selling isn't sufficient in this period of mobilization when such marketing difficulties as material shortages, new salesman compensation problems, and customers' demands for more servicing help from manufacturers arise. However, many of the new sales arrangements are headed for trouble because the companies have failed to determine exactly how outside distributors can fit into their particular operations.

If you find that you need outside help, check the following points for each product, territory, and class of customer:

1. *How does the cost of commission agents or distributors compare with the cost of a direct sales force?* A breakdown of sales cost and net profits by main classes of customers will indicate which accounts warrant a continuation of direct servicing. You may then risk a shift to indirect servicing on the other accounts.

2. *How much servicing does your product require?* Few industrial distributors are equipped to handle servicing as well as sales. Though this won't matter too much for makers of standard supplies or machines, sales of complex machinery and equipment must be backed by quick emergency servicing and advice on engineering and maintenance problems. The fact that a product requires frequent service calls, however, doesn't preclude the use of sales agents. Some companies have met the problem by combining direct sales force and agents.

3. *What is the size and character of the territory?* Where there's a heavy con-

centration of good customers, you'll want naturally to keep the territory for your own men; on the other hand, widely dispersed small plants can be covered more regularly and at lower cost through agents or distributors. In other territories, a combination of direct and indirect sales may be the answer.

4. *Do you have any collection problems?* Distributors' and manufacturers' agents are often more alert than direct salesmen in sizing up credit risks, quicker to make credit reports. This is particularly true in areas where there are many small accounts or numerous new customers. In territories with mixed types of sales, some companies split direct and indirect selling according to classes of customers.

A major factor to be considered is the kind of distributor you will require.

1. *Type of product* frequently dictates the choice of agent or distributor. If much engineering or technical knowledge is needed to sell the product, agents, since they specialize in one or a few fields, are likely to be the best bet. Many companies, however, overstress the technical know-how needed to sell a product. It's often possible to pare the cost of a highly trained sales force simply by translating technical language into a few pertinent sales points that distributor salesmen can use.

2. *Which type of outlet* has a line most closely related to your product? You can get a national list of agents from the Commerce and Industry Association, Inc. of N. Y. This shows the products handled by each agent, the manufacturers he represents, and the outlets to which he

sells. Similar information on distributors is available from regional distributor associations.

3. *In comparing costs of selling through distributors as against agents, don't overlook such questions as: Which channel is likely to achieve the greatest market penetration under competitive conditions? How will customers react to the new outlet? Can sales be directed equally well through either channel?*

When you've narrowed the choice down to several distributors (or agents) who could handle your products, you

will, of course, want facts on sales volume for the past five years, bank references, number of salesmen, size of office staff, territory covered, number and location of any showrooms or stockrooms, etc.

Finally, you risk inefficient and uncoordinated marketing unless you have proper and not always obvious safeguards. A model contract would (1) allow for a short trial by either party in the first three months on written notice; (2) make the contract renewable every year; and (3) pay special attention to aspects that may cause friction.

—*Distribution Report* (Research Institute of America, 292 Madison Avenue, New York 17, N. Y.), September 4, 1951.

A NEW LOOK AT THE FARM MARKET

FARMING IS A RARE combination of a business and a way of life, with the family as its core. Therefore the farm market is a twin market. The twins are inseparable, yet they are by no means identical. One is distinctly consumer while the other is definitely industrial in nature. Some advertising media and channels of distribution reach both effectively. Others reach only one—or neither. Selling and advertising appeals to one are predominantly emotional, to the other largely rational.

Keeping in mind this dual character will assist greatly in solving specific marketing problems and in properly measuring the opportunities of today's and tomorrow's farm market. Let's look at the basic trends and changes in this market—and its potentialities.

The number of farms for 1950 was approximately 480,000 less than the number in 1945, and almost 717,800 less than in 1940. The characteristics, as well as the number of farmers, are changing. In 1900 more than a quarter of our farmers were under 35 years of age. By 1940

only about one-fifth were under 35, and the proportion continues to decline.

While the number of farms has decreased for many years, and will continue to do so for many more, the average size of farms has constantly increased until it is now around 200 acres, the highest in half a century. This too will continue. More than seven out of every 10 farms are operated by owners, and roughly a quarter are operated by tenants. This is in marked contrast to the 30's when there were almost three million tenant farmers. From a marketing standpoint, the decline in tenancy is particularly welcome since tenants in the past were usually in the marginal class, or lower, as producers and buyers.

Agriculture has long been characterized by the complete domination of certain crops in certain geographical areas, but there has been a decided increase in farming diversification in recent years. This means much greater stability in the farm market and an increasing standard of living for farmers.

And, while total farm labor required

for farm production will continue its downward trend, the outlay needed to start and operate a farm will continue to rise. Farm productivity should continue to increase at a rate of about 20 per cent per decade for at least the next two decades. The future market for agricultural equipment is greater than commonly supposed, and will be made up of many new purchasers as well as present users. Farmers' expenditures for machinery and equipment have climbed steadily over a long period and are expected to remain high.

Reaching a total of two billion dollars in 1948, these expenditures will be even higher, at least during our rearmament period with its farm labor shortages brought about by the man-power needs of the armed services and factories. Farm income has gone up rapidly over a long period of our history. It will remain high so long as we enjoy reasonably high employment in our economy. It would remain relatively high with unemployment anywhere under five million. About 2.5 million to three million unemployed can be considered "normal" even in prosperous times. This is a further assurance of high purchasing power in the farm market.

There is, of course, a decided concentration of farm income which must be considered in evaluating the farm market. The upper third of our farms ac-

count for almost 80 per cent of farm production. The middle third produce about 14 per cent, and the lowest third accounts for the remaining 6 per cent. Geographic variations in average income per farm are also great.

Savings are high, and farmers have roughly \$1.60 in liquid assets for every dollar of debt, compared to 50 cents for every dollar of debt at the beginning of World War II. The realized net income of farm operators reached an all-time high of 17.8 billion in 1947 and even at \$13.0 billion in 1950 represents a high purchasing power.

Except for certain seasonal peaks, farmers are getting more leisure and less dawn-to-dark drudgery than ever before. Leisure along with better buying power means more time to enjoy goods and services and increased purchases of them. Life and living conditions in rural areas can be made, and are being made, more attractive. Better diets, better clothing, comforts and luxuries comparable to the best that urban people enjoy are now available to a rapidly increasing proportion of farm families.

Many of the characteristics of the farm in relation to industrial goods set it apart from other markets. But, essentially, the farm market is two markets because of the inherent nature of farm life itself. Herein lies its greatest potential.

—VERGIL D. REED. *Advertising Agency*, July, 1951, p. 52:7.

POCKET-SIZE HANDBOOK EASES SALESMAN'S WORK: To make the selling job easier for its salesmen, A. & M. Karagheusian, Inc., New York, uses a salesman's pocket-size handbook that tells him in capsule form what he needs to know about the company's products and spring promotional campaign.

Sections of the book are indexed so that the salesman can find them easily if he comes across a question he can't answer offhand. The section on advertising and promotion, brief like the others, outlines the company's advertising program on a reason-why basis and gives the spring schedule. The back of the book has room for notes.

—*Printers' Ink* 4/20/51

"Tell Us About Your Sales Plan," Union Leaders Say

FEW MANUFACTURERS bother to talk with their unionized employees about the significance of selling. This is the general conclusion drawn from a survey of union leaders recently conducted by the Bureau of Business and Economic Research of the School of Commerce and Finance, Saint Louis University, St. Louis, Mo.

It's hardly news that labor leaders, most of them representing production workers, do not have a clear understanding of the sales function and its importance. However, it is news that so many union leaders are anxious to cooperate with the men who are trying to sell more of the products the union men make. Most of them say they are rebuffed if they express any interest in the sales end of the business.

Sales executives would have little to lose and much to gain if they would:

1. Explain thoroughly to union leaders the function of the sales department and its importance to the individual production worker—and the role of the salesmen and advertising—so that workers will not feel that money spent on promotion could be better spent in raising wages.
2. Discuss their sales objectives and problems at least once a year with union leaders—and give consideration to any ideas these men may have for boosting sales.
3. Make better use of the space available to them in plant house publications, bulletin boards and all other avenues for reaching production workers—to sell "selling."
4. Get union leaders to boost the company or industry products to friends and relatives.

—*Sales Management* Vol. 66, No. 4

Help In Getting Government Business

WITH MANY civilian markets sluggish, selling to the government has become highly competitive. Smaller firms who don't know how to get around in Washington are now especially tempted to seek the aid of commission agents—and yet don't dare to do so openly for fear of getting involved in another five-percent scandal. Actually, assistance of such intermediaries is perfectly legitimate—provided the government contractor knows the pitfalls. Here are the facts which will help you set your own policy on this score:

Every contract with the government carries a warranty that you didn't pay a contingent fee to get it—except to "bona fide employees or bona fide established commercial or selling agencies maintained by the contractor for the purpose of securing business."

Unfortunately, the restricted area is so loosely defined that it throws a shadow on many legitimate sales arrangements never intended to be restrained. But here are some guides to help you stay within the spirit of the restrictions while making use of legitimate sales agents:

1. There is no restriction against using a full-time salesman, agency or broker to get government contracts—if they receive a flat fee. But you must be obligated to pay the fee regularly regardless of their success or failure to obtain government business for you. If it appears that they were hired for the purpose of getting contracts for which they will receive a percentage (or any other fee)—only if successful—you'll be in trouble. This is especially true if the deal was for a particular contract.

2. If you have been using an established broker or sales agent for your usual civilian selling, you should have no trouble on any government business he gets for you—whether you pay him on a commission basis or not.

—*Distribution Report* (Research Institute of America) 8/21/51

MANAGING YOUR OUTSIDE SALES FORCE

THE SALES EXECUTIVE who will study in a truly scientific manner the methods and tools of supervision will gain a competitive advantage resulting from the more effective utilization of manpower. The following recommendations, based on a survey of a cross-section of 16,000 members of National Sales Executives, surveys of salesmen in three major types of selling, and the practical experience contributed by many sales executives, may assist the sales executive in gaining such an advantage:

Planning. Define specifically the functions to be performed by both the salesman and his immediate superior. The number one tool recommended by sales executives was a job analysis of the functions performed by a salesman. Top management should give fundamental consideration to determining what sales objectives are to be accomplished, setting standards for each salesman's performance, and outlining basic supervisory policies. One or more external sources of aid, such as management consultants and suppliers' representatives, should be utilized whenever practicable.

Organization. Each company should determine the number of salesmen that should report to a superior. This number should be small enough so that each salesman can be given personal individualized attention. The contributions of such staff executives as sales personnel specialists, sales trainers, and product specialists should usually be coordinated on some higher level than the salesman and reach him through his immediate superior.

Methods. Increased emphasis should be placed on field trips with salesmen, per-

sonal office conferences, and analysis of each salesman's performance.

Tools. Increased use should be made of job analysis of the functions performed by salesmen, suggestion systems, and salesmen's reports. The extensive use of such tools, however, should not lead sales executives to believe that personal methods of contact are unnecessary.

Continued Training, Control, Motivation, and Communication. Emphasis should be given to continued training, control, and motivation. These three phases of supervision should be coordinated by means of two-way communication between the salesman and his superior. Such factors affecting morale as recognition and praise, continued training, and adequate equipment and sales aids should be emphasized more than is now customary. Periodic opinion surveys will be helpful in obtaining an insight as to how the salesmen feel about various company policies.

The Sales Supervisor. Sales executives must make certain that those who are charged with the administration of the supervisory program are carefully and properly selected, trained, compensated, and evaluated. The sales supervisor should avoid the common criticisms which salesmen have of their supervisors, such as a lack of understanding, failure to treat men fairly, putting on too much pressure, losing temper, being selfish, and constantly finding fault. The three activities to which sales executives believe sales supervisors should give more emphasis than is now customary are analyzing a salesman's strengths and weaknesses, continued training, and morale building.

—From a summary of a survey detailed in *Supervising Outside Salesmen* by Charles Lapp. Published by the Bureau of Business Research, The Ohio State University, Columbus, Ohio. \$4.00.

THE NEW SALESMANSHIP

DONALD A. LAIRD*

IT WAS AROUND 1880 that business in general began to awake to the fact that salesmanship could make the difference between success, failure, and mediocrity. But in many instances it was a step sideways, rather than forward, because many boosters and fakers rushed into sales work—men who were more interested in putting over a deal than in building public relations. A sale was a battle of wits, and customers bought with their guards up. The salesmen did not mind trimming the company, either, in their rush to get rich quick. Public relations was so neglected that salesmanship became suspect.

Two merchants, Rowland H. Macy and John Wanamaker, are generally credited with starting the change from this unfavorable business situation. Both marked prices on all goods in plain figures for everyone to read. Previously prices had been in secret codes, and the salesperson asked each customer as high a price as he thought he could get by with.

Macy and Wanamaker also advertised the return privilege; customers could return any unsatisfactory article and receive their money back.

Today these practices are commonplace, but merchants of that time were horrified at the reckless innovations of these two young fellows. The early failure of both struggling establishments was forecast by the old-timers. But, instead of failing, they grew great and strong while the old traders who were still seeking to take advantage of the customer saw their own businesses dwindle.

So more firms began to follow the lead of Macy and Wanamaker, admitting it was poor business to make a sale and

run. They began to improve on ways of wooing and keeping customers.

A new occupation began to grow—that of the customer-centered American salesmaker. The high pressure salesman's day was dying. He was being replaced by the customer-centered salesmaker who marked the birth of a new day in business. The U. S. has led the world in developing these salesmakers. While Commodore Vanderbilt and the other old traders said, "The public be damned," the modern salesmaker says, "The public be pleased," and he acts accordingly.

The supercharged old-timer who hustled after sales was looking for a quick sale and a quick profit—the bigger the profit, the better, he thought. Overly eager to make a sale, he was tempted to make claims that could not be proved, and to make promises he could not fulfill. Consequently, profits were often eaten up by lawyers who were busy trying to settle customers' complaints and collect slow accounts. The old-timer didn't mind selling customers more than they could pay for, since he got his commissions and let the company worry about collecting the bill.

The shift to customer-centered selling was not altruistic, but simply good business.

The slow-moving but irresistible pressure of public opinion forced new standards of selling which make the old style salesman as out of date as the Mound Builders. The customer now runs the caravan, and the caravans which sell most, at least selling expense, are those which sell as customers like to be sold.

Selling is still in the midst of revolutionary changes. The old style is difficult

* Dr. Laird's latest book, *Sizing Up People*, was published early in September by McGraw-Hill Book Company.

to kill off, perhaps because it depends upon natural shrewdness rather than training. The new style, however, is growing out of the awkward age and into full stature as a result of market research, consumer analysis, and modern sales training methods.

As a result, many old style salesmen are bewildered by the changes in the field, and are almost displaced persons. Many successful firms will not even hire an experienced salesman any longer; instead, they locate promising young people and give them training to develop sales skills which meet present-day demands of public opinion and competition.

Companies used to look for "natural born" salesmen, who were put to work with no more training than a flexible price list. As a result of this quest for "natural born" salesmen, the field was taken over by two varieties: The Smoothie, and Go-Getter.

The Smoothie was the personality boy, who charmed and entertained his prospects into buying. Andrew Carnegie was one of the Smoothies who could charm a bird off a tree.

The Go-Getter was a hustler who worked hard to wear down the prospects' resistance until they bought to get rid of him; he could talk the arm off a brass monkey. John D. Rockefeller's father, who sold patent medicines, was a hustler. He believed in trimming the customer before he trims you. James J. Curley, the dark-eyed boy wonder of Boston politics, was a Go-Getter bakery salesman in his youth; before starting out each morning, he wrote many fictitious orders in his order book to impress the hesitant customers with the volume of his business.

The Smoothie and Go-Getter were both aggressive, self-confident, liked people, and loved to sell. Those are still considered desirable qualities for a salesperson. Those old timers knew everybody by first

name, and they had the cast-iron nerve of police reporters—which may or may not be desirable. The trouble-making characteristics of the Smoothie and Go-Getter arose from their flexible consciences and eagerness to make sales regardless of consequences to the customer. They lacked a long-range view, or a philosophy of business that would hold up under inspection.

The Smoothie and Go-Getter could sell, sure enough. But their methods were expensive in the long run, and brought about many laws that restrict business and selling. Today the Smoothie and Go-Getter are being discarded.

The Plugger is taking their place. He is likely to be just an ordinary, hard-working chap. Unspectacular. Not a prima donna. Not a natural genius for selling, but a diligent, conscientious worker who has had his sales ability developed by training courses rather than by the sharp tricks of the school of experience.

That pleasant sales girl, who helped you buy a gift, and whom you would like to have help you the next time, was quite likely a Plugger who had been given special training before being put behind the counter. About one-fourth of this training was in how to sell as customers like to be sold. And while she was helping you buy, there was perhaps other training right under your nose, but you didn't know about it. Such as reminder cards on her side of the cash register, which you could not see, but which reminded her to "Find the customer's needs and sell that." Many retail stores use different reminder cards, as well as sales training classes, week after week, to make sales training a continuous process.

And when you sent for the free booklet about air-conditioning your home, you were called on sometime later by a clean-cut young man who represented the company, and offered to help you understand

all about home air conditioning. He had been trained for a full year in the factory before he was allowed to talk with a single customer. You didn't buy the air-conditioner. Fact is, as you look back you realize that he didn't try to sell you one, at least not as an old-timer would have tried to sell. But you are waiting

for him to return with some promised suggestions for remodeling your basement to provide a convenient place for the units. You feel that you are buying, not that he is selling you.

That's because he is a Plugger, well trained to sell as the customer wants to be sold.

Do Your Product Lines Need Trimming?

"FINE THING for the plant across the street . . ." That's how most companies view product-line reduction, according to a recent survey of plants of all sizes in a variety of industries.

Though the government pleads, and shortages threaten, only 32 per cent of those questioned in the survey have made any appreciable reduction in the number or variety of models so far. Of these, less than a quarter have made large cuts.

Yet, the line-reducers number in their midst a good many blue-chip companies.

What are the advantages of line reduction? Survey respondents find the biggest benefits in production and inventory economies.

What are the disadvantages reported? Most feared is inability to serve customers. Other disadvantages mentioned included increased price of sub-contracts, need to lay off employees, inability to sustain production at the volume needed to beat a high break-even point, and loss of sales enthusiasm.

However, increasing military demand is in the cards and supplies of materials are shrinking. The smart company will, therefore, start blue-printing line reduction, even if the program doesn't go into effect immediately.

One of the most important recommendations from those who have made the jump is:

Take customers into your confidence, and give them all the help that you can.

But the best advice of all in regard to line reduction comes from a producer of valves and lubricating devices who says, simply: "Don't delay."

—*Modern Industry* 7/15/51

The Male Influence on Grocery Shopping

HOW MUCH DO MEN SHOP for food? Are they an important enough factor in grocery store shopping for the food manufacturers to consider in making their marketing and advertising plans?

According to all reports, more and more men are helping with the family food shopping. In a recent national survey it was found that 77 per cent of the husbands sometimes shop for groceries; of these 68 per cent shop once a week or oftener; 58 per cent usually; and 23 per cent occasionally make the big weekly "stock-up" trip for groceries. Almost half generally shop alone.

Eighty-two per cent of them frequently or occasionally buy things their wives hadn't planned to buy; 30 per cent buy larger quantities or larger packages than their wives generally get; and 47 per cent buy things their wives seldom or never buy at all.

When they do buy more than their wives asked for, some items get significantly large parts of the extra purchases: 46 per cent buy steaks, cakes and cookies; 45 per cent buy cheeses; 40 per cent fresh fruits; 36 per cent candy and gum; 34 per cent soft drinks; and 31 per cent light bulbs.

—*Tide*, Vol. 25, No. 25

HOW TO PREVENT ALLOCATION ALLERGIES

IN TODAY's market, allocations resemble a case of the hives: They break out and disappear without any warning. This on-again-off-again state of affairs means that companies allocating all or only one of their products must handle the job with especially soft kid gloves because they never know when the next customer call will demand selling rather than allocating.

Unlike the last war, when allocating was a semi-permanent situation and few companies were overly concerned about after-effects, manufacturers now shuttling weekly between buyer and seller markets have the more intensified problem of: (1) preventing their salesmen from developing allocation apathy; (2) maintaining a fair allocations system that will preserve the loyalty of distributor and dealer; (3) at the same time using allocations to stay in and keep up with new markets, new customers, and important new channels of distribution.

It's quite an order.

Beginning with salesmen—who can make or break any allocation program—a strict regime of indoctrination in attitude and approach is called for to avoid the very human mistakes attendant on a seller's market, however limited or short-lived that situation may be.

The salesman can do such things for his outlets as: suggest substitutes, help train salesmen, help soothe customers, and in general build up the kind of good will which will be remembered to his advantage during more normal times.

Salesmen, however, can't do the job alone. Besides moral support from headquarters, they need a well-formulated policy to guide them.

The big question in setting up allotments today is:

Should we concentrate on the best markets and outlets with whatever merchandise is available—or should we spread

our output thinner over all the markets?

Typifying the arguments of the stick-to-your-big-accounts school is E. B. Weiss, merchandising director of Grey Advertising Agency, New York.

His arguments run this way:

1. There's no point in trying to maintain a marketing status quo with the allotment program. Most companies have been forced to compromise and take on undesirable dealers as a temporary competitive expedient. Why should an allotment policy even try to perpetuate such a partly outmoded distributive setup?

2. Allotment policies cannot and should not ignore the retail trend toward concentration of volume. Manufacturers who got 60 per cent of their volume from 30 per cent of their accounts in 1940 found in 1950 that the pattern was crystallizing so that only 20 per cent of their accounts were giving them from 70 to 80 per cent of their volume.

3. It's fruitless to design allocations with the fewest possible problems as its goal. The more a manufacturer tries to please everybody, the larger percentage of his total volume will be displeased.

Added to these arguments is the attractive fact that selling to fewer accounts is considerably cheaper—in transportation, packaging, and bookkeeping—than doling out to a widespread market.

On the other side of the picture is the desire to hang on to all customers and outlets by placing merchandise with all the dealers at regular intervals and spreading advertising and promotion across all sections—this, despite the fact that it may mean reducing effort in some important markets.

Companies adhering to this policy consider the extra trouble and expense worth while, not only because it preserves dealer loyalty, but because it keeps their product constantly before the consuming public,

prevents new competition from leaping—as it did in World War II—into the vacuum created by a company pulling out of a market.

More popular of the two methods in this period is a modified form of keeping everyone satisfied. With competition breathing down their necks, and the transient nature of current shortages, most companies are unwilling to risk offending even those established outlets with which they aren't really happy.

Modifications of the World War II type of across-the-board allotments include a new concept of the base period. With a longer span (1946-51) to go by, each company can select what it considers to be the most typical "normal" period. This allows newer customers and market areas to get their fair share. During the last war, "normal" was considered the last peacetime year, and upcoming markets were pretty much left out in the cold.

In fact, some companies are even revising their allotment bases. Instead of going by record of past shipments, one company plans to calculate allotments on

the basis of population alone. For makers of mass consumer goods to whom shifts in population are the most important market index, this ties allocations directly to volume.

Companies with their eyes on the not-too-distant future consider many other factors in their allotment decisions. Besides population, some of the bases for allocations are: past performance, dealer evaluation, sales potentials, purchasing power, new market growth, and efforts of competition locally—to say nothing of individual company yardsticks for market research, such as motor-vehicle registration, rural electrification, etc.

Another lesson learned from World War II is more-frequent scheduling of allotments. Since the primary object of allocations is to keep the product before the user as much as possible under limited output, companies have found that regularly scheduled monthly or bimonthly shipments, rather than lump allotments, work best. This system tends to keep the merchandise more conspicuous and prevents outlets from selling out completely too far ahead of the next allotment.

—*Modern Industry*, July 15, 1951, p. 46:4.

"Everybody Wants to Give It the Axel"

ADVERTISING EXECUTIVES are more than a little perturbed about increased efforts on the part of educators, lawmakers, and economists to restrict or even bar advertising. To paraphrase Jimmie Durante: "Everybody wants to give it the axel!"

To ascertain public attitudes toward advertising and to find ways of combating unfavorable reaction, Tide conducted a survey among leaders in advertising, marketing, and public relations. Of those polled, 40 per cent felt that criticism of advertising was on the increase; 54 per cent thought it was about the same as in the past. Only 6 per cent believed there was less criticism today.

Educators were listed as "most critical" by 71 per cent of those voting. Public officials were next with 57 per cent, and the "general public" was named by 28 per cent. Advertising men themselves were regarded as highly critical by 12 per cent of those polled.

How can these attacks be lessened? Improvement of advertising standards from within was the majority solution, with 82 per cent calling for avoidance of overselling, superficiality, and false claims. Other suggestions: An educational job in schools and colleges, and a cooperative campaign in standard media to explain advertising's role in our economy. Most of those voting felt the regulating job should be entrusted to each "trade association in the advertising business."

—*Advertising Newsletter* (U. S. Chamber of Commerce) 7/51

Company-Owned Sales Fleets Increasing, Survey Shows

THERE IS an increasing trend to company ownership of sales fleets, according to a recent study made by the Dartnell Corporation. That there is a decided economic advantage to such an operation is indicated by the following tabulation of the cost per mile of various common methods of operation: 5.305 cents per mile for company-owned cars; 6.190 cents per mile average cost for salesmen-owned cars; 6.346 cents per mile average allowance for salesmen-owned cars; 6.374 cents per mile average for leased cars.

The increase in the number of companies now operating under a company-ownership method is apparently coming from the salesmen-owned group. This is particularly evident in the cases of mixed fleets, presumably because the companies see the economic advantage of company-owned cars and because a setup is already in operation for controlling and managing a company-owned fleet. As salesmen with cars become hard to get or where the additional burden of buying a car may deter the salesman from taking a job, more companies will expand their company-owned fleets or go over to this method of operation.

—From *Company Owned and Leased Sales Fleet Operations* (Part II of Report No. 602), The Dartnell Corporation, 4660 Ravenswood Avenue, Chicago 40, Ill.

Also Recommended . . .

ADVERTISING AND THE DECLINE OF NATIONAL INTELLIGENCE. By Wilmer S. Roberts, George L. Serfort, and H. Curtis Wood, Jr., *Printers' Ink* (205 East 42 Street, New York 17, N.Y.), July 27, 1951. The statistics cited in this article contradict the general belief that each generation is increasingly intelligent; they point to the conclusion that there is an average 2- to 3-point decline in intelligence (I.A.) in each generation. According to the authors, only when the decline of national intelligence is halted can we expect to see the ethical standards of advertising take an upward turn.

SEVEN EXECUTIVES TELL HOW THEY'RE HANDLING ALLOCATIONS. *Industrial Marketing*, (200 East Illinois Street, Chicago, Ill.), May, 1951. A problem that will demand more and more attention in coming months is the fair and proper allocation of scarce materials and products to customers. In this informative article, seven members of top management describe how their respective companies are solving this problem. Though practices vary widely, several companies attach considerable weight to past relationships with their customers in making allocation decisions.

28 WAYS TO INCREASE THE EFFICIENCY OF YOUR SALESMEN'S CALL REPORTS. *Marketing* (119 York Street, Toronto, Canada), June 23, 1951. Salesmen's report forms are in for drastic revision, according to the editors of *Marketing*. This article, the first of five, tells how Canadian companies are using reports from the field to combat competition, step up sales ef-

ficiency, and give management essential information quickly and conveniently. Aside from customers called on, and orders taken, a sales report form may include one or several questions on distribution, customer cooperation, selling experiences, and prospects.

7 SIMPLE RULES FOR GETTING VALUE OUT OF TRADE EXHIBITS. By Arvid Corneliusen. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), August 1, 1951. This description of a code of operations which will help companies "to harness the conventions" in which they participate includes practical suggestions on such subjects as the size of the exhibition room, displays, give-aways, etc. One conclusion that has wide application is that company people will be more effective at conventions if they keep themselves in circulation rather than following the natural tendency to group together.

HOW AND WHEN TO PUT "SELL" IN YOUR SALES QUOTATIONS. By William A. Marsteller. *Industrial Marketing*, (200 East Illinois Street, Chicago 11, Ill.), June, 1951. Should a sales quotation be simply a recital of prices and conditions of sale, or should it be built up with supplementary data so that it is, in effect, a complete sales presentation in writing? Today's trend is to make sales quotations as complete as possible, using a hard-hitting sales theme throughout and including product photographs, catalogs, descriptive literature, and the major selling points.

Packaging

MILITARY PACKAGING SPECIFICATIONS: LOOK BEFORE YOU BID!

YOUR COMPANY may be experienced in making parts similar to those called for in a military contract—but take a good look at the packing and packaging specifications before entering a bid. Here's how an Ohio aircraft parts manufacturer took a sizable loss: A quick look at the invitation to bid revealed that domestic packing was called for, and so a low bid allowing for a moderate profit was entered. Close scrutiny would have given vital information as to the prescribed packaging method and boosted the bid considerably. In its eagerness to get a contract representing a large volume of work, however, this company overlooked processing and packaging requirements that added substantially to the total cost and resulted in a big loss.

If you are shopping around for military contracts, you will be interested in the packaging information contained in the following volumes: *Indexes of Specifications and Standards* used by the Munitions Board Standards Agency Department of the Army, Department of the Navy and Department of the Air Force (*Military Index Vols. I, II, III and IV*). The first two volumes may be obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington for \$2.75 each. The Navy index may be obtained without charge from the Navy Purchasing Office, Bureau of Supplies and Accounts, Navy Department, Washington. The Air Force, too, makes no charge for its publication which is available from the Commanding General, Wright-Patterson Air Force Base, Dayton, Ohio. Listed in these volumes are the hundreds of specifications pertaining to items procured by the respective departments and the agency

within the department that is custodian for the detailed specification.

If your company bids on a subcontract for supplying parts to be used by a prime contractor in assembling a major military item, then you'll have few packaging problems. In most instances the shipment must be made in accordance with accepted commercial practices. This may also be true of some parts going to Ordnance or other military storage depots where the parts will be treated and packaged by personnel attached to these activities.

Contracts for spare parts and a variety of other items aren't so easy to handle. First, of course, you have to determine a unit price for making the item, then figure how much to add to your bid for packaging and packing in order to be able to handle the job at a profit. The latter is tougher for most companies. Manufacturing operations are not much different in the majority of contracts from those performed on civilian products, but packaging requirements can be and often are vastly different.

Many companies with limited facilities are faced with the problem of deciding what to do about their packaging and packing after they have read the applicable specifications. One solution is to farm out this work to packaging specialists who will handle these jobs on a subcontract basis. The contracting firm must ascertain that the packagers are capable of doing the job right because it can assign rights under the contract but not responsibilities.

Fortunately, most packaging firms are reliable small business concerns, and are as zealous in maintaining their work stand-

ards as are the manufacturers. An additional safeguard in selecting a packaging specialist can be had by checking with a district Ordnance or Navy inspection of-

fice. The government packaging specialists maintain lists of approved installations and will refer interested manufacturers to these approved concerns upon request.

—ED KARPECK, Steel, July 16, 1951, p. 70:4.

WHAT WOMEN LIKE AND DISLIKE ABOUT PACKAGES TODAY

A NEW ENGLAND housewife, queried on her reactions to grocery store products packages, responded in a salty State of Maine colloquialism, "Some of them fret me." To determine why some packages "fret" the housewives to whom they are offered, a survey on grocery store products was conducted recently among 875 housewives. Their responses can help you judge whether your present package is impeding or accelerating sales and assist you in planning your next package re-design job.

In their broadest scope, the findings show that today's housewives derive their opinions about packages from the way those packages perform as part of the functional operation of cooking and house-keeping. They're concerned about economy in the face of today's high food prices; about sanitation; about step- and time-saving; and about various other matters which they lump under the broad term "convenience." A package stands or falls with the housewife largely on these criteria.

Especially noteworthy is the fact that out of all the hundreds of citations made by housewives under the heads of "like" and "dislike" only a small percentage of them had to do with *aesthetic* considerations. This does not mean that women are insensitive to superior lithography or sound graphic treatment. The advancements made in pure design and quality of lithography since the war, particularly in the development of shelf-value and appetite appeal, are so obvious as to re-

quire little comment. It does mean that within the context of this assignment, the housewives queried came quickly down to the practical considerations which, entirely aside from appearance, determine whether their reaction to a package is favorable or unfavorable or somewhere in-between.

Here are some selected high spots of the findings:

The Outside of the Package: Nine out of 10 want exact directions for cooking and cooking time. Two-thirds want a statement of number of servings.

Closures and Accessories: The plastic or tin screw cap is still the darling of the housewife, the findings in this respect echoing and reinforcing the findings of previous surveys. Spouts and good inner wraps are in high favor. The women still dislike pry-up caps. They notice, use, remember, and like certain types of measuring devices.

Premiums: More than half purchase (sometimes or frequently) packages that include a premium or a premium coupon. Silverware and silverware coupons are the most popular.

Package Characteristics: Housewives want most of all a package that is sanitary, with contents protected from deterioration. As a corollary, they want a package that can be closed tightly after part of the contents has been used.

Plastic Containers: Opportunity provided to see contents is top mention in "likes"; tendency to too-easy breakage is tops in "dislikes."

Glass Containers: Reusability is best-liked feature; major dislike is the glass container that uses a pry-up type of closure.

Tin Containers: Tin's efficiency in keeping products fresh and in controlling spoilage gets most favorable notice; hard to open is the biggest drawback.

—A. R. HAHN. *Sales Management*, July 15, 1951, p. 50:8.

Financial Management

EVALUATING CREDIT RISKS TODAY

THE EVALUATION OF credit risks in the light of changing economic conditions can be broken down into two main aspects: (1) the approach we take to evaluate changes due to seasonal conditions and business-trends; (2) the steps we take to appraise the effects of our rearmament program on our customers.

In the case of our blue chip customers, unless the amount of credit extended is inordinately large, such evaluation can hardly be called scientific—we assume that the financial affairs of these customers will remain unimpaired by whatever economic developments may occur before our bills become due.

In the case of our marginal accounts, however, we are called upon to do a very accurate job of forecasting market conditions when we estimate the sales volume, inventory, turnover, collection of receivables, and earnings of our customers.

The sources of credit information on which we rely fall into four main categories, namely: (1) published information concerning general economic conditions, together with information about the status of business in particular lines of activity; (2) credit and financial information compiled and released by mercantile organizations; (3) ledger experience of creditors and additional selected informa-

tion available through membership in the National Association of Credit Men; (4) financial and other information secured by credit personnel directly from customers, their banks, and other suppliers.

With such a welter of information, it seems highly desirable to have a system which will permit the orderly and effective collation of all this data. It may be helpful to use a customer credit analysis card which shows the trend in agency appraisal of a company's financial and credit standing over a period of years, provides a chronological review of payments to all suppliers, and reveals developments in the financial condition of the company as shown in the comparative analysis of balance sheets and operating statements.

Though this type of analysis is helpful in keeping abreast of changing economic conditions, it falls short of what it is necessary to do to appraise the effects of the defense mobilization program.

In view of the regulations issued by various government agencies and the probability of further controls over the production and the use of critical materials, it seems highly desirable to analyze customers from the point of view of their flexibility—that is, their ability to continue producing their normal product line

or their adaptability in converting a portion or all of their productive capacity to defense work. In this connection, a review of customers' experience during World War II can throw a good deal of light on how flexible they may be under present circumstances.

For example, in appraising the adaptability or flexibility of customers using steel mill products, one is advised to refer to the controls instituted by the War Production Board during World War II and to evaluate the effect of these production and material restrictions on each steel consuming unit, since the pattern of government controls inaugurated after the outbreak of hostilities in Korea very closely parallels the one initiated before and during the early stages of World War II.

Having determined which of our customers may become vulnerable to material and production restrictions, we are then in a position to analyze in detail the flexibility of such companies in terms of:

(1) the management capabilities and initiative displayed under unusual conditions, such as those which prevailed during World War II; (2) their manpower flexibility, i.e. the special skills available to them in their existing personnel and in the reservoir of skilled personnel on whom they might draw in adapting or converting their production to the needs of the rearmament program and possibly to the manufacture of other civilian products more essential than their normal line; (3) their financial flexibility in terms of their capitalization, their working capital, relationships with lending institutions, etc.

A credit executive who does not adopt the above approach may unwittingly commit two errors: first, he may assume credit risks without properly evaluating the vulnerability factor; and second, he may overlook the potential importance of many small concerns with excellent growth possibilities and flexibility of a high order.

—F. H. JONES. *Credit and Financial Management*, August, 1951, p. 8:4.

TRENDS IN EXECUTIVE COMPENSATION

COMPENSATION OF TOP management showed a gain of 75 per cent from 1940 to 1949, according to a recent study made by the Conference Board of the three highest paid executives in each of 567 companies representing 45 different industries.

However, average sales for these companies were up 179 per cent over the same period. "Consequently, the actual cost of management over the same period declined in terms of the sales dollar. Top management of these companies received an average of 0.3 per cent of the sales dollar in 1949, as against 0.4 per cent in 1940."

The average increase from 1940 to 1949 in the amounts paid top management by the 45 industry groups "varied widely." Six radio and television set manufacturers showed the largest average increase—276 per cent. Consumer demand for radios and television sets, meanwhile, boosted average sales for these companies 416 per cent over the 10 years. The second-largest industry increase, 201 per cent, was reported by eight manufacturers of textile fabrics. Nine other industries showed average increases of 100 per cent or more in payments to top management. They were: air lines, department stores, aircraft, breweries, agri-

cultural machinery, automobiles, hosiery, rubber products, and auto parts. All showed gains in sales or operating revenues over the period, the most notable being a gain of 529 per cent in the average operating revenues for nine air line companies.

In general, the average compensation of the highest paid in all companies surveyed was 44 per cent higher in 1949 than in 1940. In eight industries, the average top salary exceeded \$100,000 in 1949, while this was the case in only four industries in 1940. The average compensation of the second-highest-paid in these companies was 62 per cent higher in 1949, and for the third highest paid, 70 per cent higher.

However, any appraisal of the higher incomes received by top executives in 1949, should take into consideration the economic changes that have taken place

during the period 1940—1949. "The 1940 dollar declined in purchasing power to approximately 60 cents. Meanwhile income tax rates rose sharply. The net result, as far as many an executive is concerned, is that he was financially worse off in 1949 than in 1940 even though his salary was higher." Thus the man earning \$10,000 in 1940 would have had to earn approximately \$19,000 in 1949 to be only as well off. "Moreover, the additional amount required increases sharply in the upper brackets because taxes begin to take a bigger bite. A man earning \$25,000 in 1940 would have had to earn approximately \$51,000, or twice as much, to offset the increased tax rate and inflation. And an executive who was paid \$100,000 in 1940 would have required more than \$225,000 or 125 per cent more to be as well off in 1949."

Paid in U. S. A.

THE FOLLOWING TABLE is cited by one authority to show how corporation tax levies in other nations—which correspond to U. S. Federal taxes on income—compare for a corporation earning \$100 million in 1950 before taxes:

Belgium	\$21,000,000
France	24,000,000
Canada	35,000,000
Great Britain	35,000,000
Occupied Western Germany	35,000,000
U. S. maximum (including excess profits taxes)	\$7,000,000

—*Tax Outlook* (The Tax Foundation, Inc.) 8/51

AMA FINANCE CONFERENCE

The Finance Conference of the American Management Association will be held on Thursday and Friday, November 29-30, at The Waldorf-Astoria, New York City.

WORKMEN'S COMPENSATION — CONTROLLED

MANY CORPORATIONS endeavor to carry their own workmen's compensation insurance by depositing with their state a bond of sufficient amount to meet the state requirement, but most corporations carry their insurance with some reputable company, either stock or mutual, of their own choice. The manual rates of insurance are not a competitive feature as they are set by a state insurance commission or some such regulating organization. Mutual companies usually pay dividends. However, the individual corporation's rates are either higher or lower depending upon the loss experience of the particular organization.

At the beginning of the year, whether it be the policy year or the calendar or fiscal year of the corporation, the insurance company will issue a workmen's compensation insurance policy, using the payroll as set forth on the past year's policy, and setting payroll amounts under each code at manual or experience rates. The premium on this policy is paid and the corporation is insured for the year on injuries to employees on duty. It might be stated here that your policy could conform to the corporation year, be it calendar or fiscal, as the basis of premium in the year of operation.

Little, or nothing, is usually done about this insurance until the end of the policy year unless the rates are changed and, if so, the insurance company advises the policyholder that adjustment will be made, conforming to the new rates at the time of the final audit. If, however, the rate change takes place in mid-year, it will be necessary to segregate payrolls both before and after the rate change.

When the current policy expires, the insurance company auditor visits the corporation to check payrolls in order to verify or adjust amounts stated in each code of the policy at the beginning of the

year. The result of this audit will be either an additional charge or credit to the premium paid, depending upon the variance between the actual payroll and the payroll amount estimated at the beginning of the year.

This variance is the factor that should be controlled and accounted for in the statements. Since the insurance classification procedures are so complex and intricate, it is most helpful if the insurance company auditor is called in for a discussion with the controller. Usually, with a detailed analysis of that portion of the chart of accounts relative to payroll, the controller and the insurance company auditor can definitely assign each departmental account to the correct insurance classification. It can easily be seen that only by doing this can an accurate control be maintained.

Cost systems provide a breakdown by departments which can be used in accumulating payroll totals by codes, as specified in workmen's compensation insurance. These costs naturally balance with the total payroll for the year and tie in with the Social Security control or a general control account. These are the cost figures about which we will talk with regard to control of workmen's compensation insurance.

Since departmental payroll costs are already accumulated for corporation cost reports, they may also be transcribed to another analysis sheet showing the code numbers, or departments, as stated on the insurance policy. By this means one accumulates, by code number, the payroll for the year and is able to get the cost by months, of compensation insurance. At the end of the year one has the total payroll by code and has allocated the cost of insurance each month to the direct cost of any department.

At this point, care should be taken to eliminate the excess payroll of employees earning over \$100 per week as this is the maximum amount on which premium is charged. In addition to this deductible, there are several others such as penalty overtime (when segregated), severance pay, verifiable traveling expense, etc.

An analysis of payrolls by codes would provide a total insurance premium actually accrued during the year and would also show as an additional premium due or an overassessment of the original payment at the beginning of the year.

The biggest unknown quantity in all workmen's compensation insurance policies is the yearly payroll by codes. Since the original premium is paid on unknown yearly payroll figures, the original policy could be set up on 75 or 80 per cent of the last year's total payroll. After nine months' operation, the payroll for the balance of the year could be more ac-

curately estimated. An analysis could be made in order to ascertain the additional premiums as better knowledge of payrolls for the next three months would be available. It is possible that some codes would be understated while others would be overstated, in which event, analysis made at this time and an estimated three months' payroll could be submitted for additional billing of premiums or, as the case may be, a credit to some particular code. In this way the premium would be more accurate, or at least closer, for each year.

The saving in dollars on this method will naturally not be in insurance premium but in interest on investment. Certainly interest on one-fourth (or thereabouts) of the premium for nine months is worth something to any corporation. The amount of saving is more or less dependent on the size of the premium paid, but in these days of high taxes and interest it's well worth while.

—W. B. HARRELL. *The Controller*, August, 1951, p. 364:2.

OBSTACLES TO DIRECT FOREIGN INVESTMENT

OBSTACLES to direct foreign investments, such as exchange controls, labor problems, and retarded economic development of the country, are encountered by nearly 80 per cent of American companies with overseas investments which were surveyed recently by the Conference Board. The Board's report includes replies from American firms with 1,097 branches and subsidiaries in 98 foreign countries and holding "at least 54 per cent" of the direct foreign investment of all American companies.

Import or Export Quotas. Export or import quotas are the most frequently mentioned obstacles to direct foreign investment by American firms. Not only is this factor mentioned by more than

half of the respondents, but it evidently is widespread geographically.

Limitation on Remittance of Profits. The second most important obstacle named is the limitation that many countries have placed primarily upon the remittance of earnings, but also on the remittance of other income and expenses payable in dollars. Over-all, more than one-third of the respondents with active investments encountered this problem. The obstacle assumes greater importance in what might be considered the industrialized countries of the world.

Control of Capital Movements. Third in importance, and mentioned by more

than a fourth of the replies to the questionnaire, are complaints about the regulations concerning the movement of capital into or out of the country. Considerable disparity is evident about the existence and severity of these regulations among the different sectors of the world.

Other factors cited include the following: burdens imposed upon business by the existence of various types of social insurance, lack of trained native personnel, retarded economic development, multiple exchange rates, restrictions on importation

of personnel from the home country, lack of stable governments and the emergence of nationalization programs.

In addition to recommending changes in the United States tax laws to increase attractiveness of foreign investments, respondents also proposed: encouragement of a "more favorable investment climate"; guarantees of earnings convertibility, for return of original investment; guarantees against expropriation and nationalization; the elimination of discrimination and general encouragement of world trade.

Salesmen Rate the Credit Department

AT THE EASTERN COMPANY, Cambridge, Mass., sales managers and wholesale salesmen were questioned recently about their problems with the company credit department. Their criticisms, which may prove valuable to any company interested in building an effective credit department, are as follows:

1. The credit department insists too often on cash with the initial order when a competitor will allow open account.
2. It gives inadequate credit to particular dealers as compared with a competitive credit department.
3. It is a little too conservative.
4. A sufficient interchange of ideas between the credit department and the sales department is lacking.
5. References are written rather than telephoned, and the clearance of new accounts is thus delayed.
6. The credit department calls on an account and discourages him from taking the merchandise because he already has some on hand.
7. When a dating plan is made available, the credit department does not increase the dealers' credit limit enough, thereby limiting the advantage of the dating plan.
8. The credit department works too closely with an account by holding shipment for a few days to see if the account will pay even though not overdue.
9. It is unwilling to gamble sufficiently with slow-paying credits.
10. It is unwilling to go along with small dealers for small amounts.
11. Too often, it keeps an account C.O.D. because of past bad experience, though the account may enjoy open credit elsewhere.
12. It frequently makes very small orders C.O.D.
13. It often holds up an account for major business when there are small disputed items for sales promotion material, service charges, etc.

—JOSEPH P. MALONEY in *Credit and Financial Management* 8/51

FROM 1926 TO 1940, total kilowatt-hour sales of electric power in this country doubled, and sales to residential and farm customers more than tripled, says a Twentieth Century Fund study.

Recent Trends in Annual Reports

FOR THOSE who contend that there is a mature economy in America and that taxes, governmental intervention in business, and so-called big business have eliminated the opportunity for the individual, the annual reports of American business must come as something of a shock. These reports give strong reassurance of the vigor and strength of American industry. They point up its alert character, awareness of responsibility, and receptiveness to new ideas.

The most obvious trend evident in these reports is the conscious effort on the part of managements to make their reports readable, interesting and informative. The closed-door, secretive "public and stockholder be damned" attitude is noticeably absent. Almost all reports recently examined by the writer described not only earnings per share, but the use of earnings in the payment of dividends, reinvestment in plant, and the strengthening of working capital. Many companies also are making definite efforts not only to serve their stockholders and employees, but the public interest as well. For example, the 1950 report of du Pont mentions the contract to build an important new atomic plant in South Carolina, for which the Company will receive a total fee of one dollar.

Conservation of natural resources is another very noticeable theme. Many of the paper companies now follow the principle of treating forest resources as a crop, to be harvested on an annual program of cutting that will not deplete the basic reserve. The petroleum companies are spending tremendous sums of money all over the world, not only seeking new oil reserves, but in developing techniques for using existing reserves carefully and efficiently.

During the period from 1930 to 1940, there was much talk about industry reaching maturity, and the lack of opportunity for further growth. This theory is refuted in almost every report examined. Starting in one line, new opportunities have developed for companies in other similar related lines. Allis-Chalmers, formerly known principally as a machinery manufacturer, now is an important factor in the farm equipment field. Western Printing and Lithographing Company broadened its publishing lines from comic, children's and similar type books to include the classics of literature for sale by chain stores. These developments represent American ingenuity and resourcefulness at work providing new opportunities for the people working for these companies.

New lines of effort require more and better trained personnel, and the reports indicate efforts being made by companies to improve conditions for their key employees and workers. Many reports discuss steps taken to introduce stock purchase and profit-sharing plans. Of interest in this connection is the fact that Western Printing and Lithographing is owned by 621 stockholders all of whom are employees or their nominees—and that one out of every four employees is a stockholder. Many instances were noted where companies have devoted considerable time and effort toward bringing up-to-date their retirement and pension plans. Life insurance programs have been provided in connection with most of these plans.

—EDMUND FITZGERALD in *Marquette Memo* (Marquette University) 7/51

Why Endorse the Backs of Checks?

A WORK SIMPLIFICATION PROGRAM was undertaken recently by the Oklahoma Natural Gas Company for continuous study of simplified management methods. One of its first accomplishments was a study of check writing, a major task with a company which must pay thousands of royalty checks to owners of gas-producing properties in addition to payroll and regular accounts payable checks.

As part of reconciling bank statements, each original or first endorsement of the check must be inspected to determine whether the endorsement is made by the

designated payee. This meant turning over each check to inspect the first endorsement on the back of the check.

Finally somebody asked, "Why not have the endorsement on the face of the check?" There seemed to be no reason why this could not be done—that is, no reason except that "We have always had checks endorsed on the back."

Today all checks are designed to leave a space at the upper lefthand corner for the first endorsement; subsequent endorsements are placed on the back of the check. This simple idea has saved many hours.

Another time-saving idea was a rule that permitted checks of less than \$100 to be sent out with only one signature. Regular accounts payable checks are written on the typewriter, with the stops set for every line of writing. No protective device is used. Insurance against check alteration eliminates the need of a protective device, the management believes. All checks are mailed in window envelopes to eliminate addressing.

—*American Business* 5/51

GRILLED TAXPAYER: A recent Senate investigation underlined the waste inherent in Government purchasing procedures. The U. S. bought 40 tank grills from a prime contractor at \$59.78 each—which cost \$19.60 at the manufacturer's plant; and 198 other grills at \$38.50 apiece—which cost \$17 at the manufacturer's. The U. S.—and the taxpayer—might have saved nearly \$6,000 if the deal had been made directly with the manufacturer!

—*Tax Outlook* (The Tax Foundation, Inc.) 8/51

Also Recommended • • •

THE FAMILY FOUNDATION: BULWARK AGAINST HIGH TAXES. By J. K. Lasser and William J. Casey. *Dun's Review* (99 Church Street, New York 8, N. Y.), August, 1951. Under present-day income and estate tax rates, the foundation seems to be one of the last available methods permitting diversion of capital to sources of one's own choosing. The authors give a rough method for determining the need for a foundation, and show how a foundation makes it possible to conserve assets and build up funds more easily than in a profit-making corporation.

ACCOUNTANT TURNS REPORTER: 20 Useful Tax Ideas Gathered at N. Y. U. Ninth Annual Tax Institute. By J. K. Lasser. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), July, 1951. This article presents the highlights of the contributions of 20 lecturers on a wide variety of tax problems. Many tax-saving suggestions are included in these summaries.

TAX EFFECTS OF SPLITTING A CORPORATION INTO TWO OR MORE UNITS. By Wallace M. Jensen. *The Journal of Accountancy*, (20th and Northampton Streets, Easton, Pa.), September, 1951. Rearrangement of corporate organization is one way which some taxpayers

are taking to cut their mounting tax bills. The alternatives (subsidiaries, spin-off, split-off, and split-up), are discussed and evaluated here, and pertinent court decisions and Bureau rulings are analyzed.

APPLICATION OF BREAK-EVEN CHARTS TO CASH SITUATIONS. By Wilford J. Eiteman. *The Controller* (One East Forty-Second Street, New York 17, N. Y.), June, 1951. Break-even charts are usually based upon profit and loss data and are used to predict the earnings most likely to result from a given scale of operations. By a slight rearrangement and a few adjustments, the author shows, such charts can be made to yield information regarding the effect of changes in the scale of operation upon cash in and out.

HOW TO DEAL WITH INFLATION. By Emerson P. Schmidt. *Banking* (12 East 36 Street, New York 16, N. Y.), August, 1951. The author is of the opinion that, since inflation is primarily a monetary phenomenon, a balanced budget and tight credit controls can prevent inflation. While expansion and contraction forces are both present, there is some reason to believe that inflationary pressures will not be as strong for the balance of the year as they were a year ago, according to Mr. Schmidt.

PROBLEMS OF ALL-RISK PROPERTY INSURANCE

SOME OF THE aspects of "all-risk" insurance and the problems that have arisen with the introduction of this idea to the property insurance field were outlined recently by Milford L. Landis, counsel of Central Mutual of Ohio in an address before the Federation of Insurance Counsel.

Certain patterns of insurance practice in the United States are now undergoing rapid change, it was pointed out. Fire underwriters have called their policies by the hazard or peril insured against. Marine underwriters have called them by the kind of property covered. Casualty underwriters have called them by the profession, occupation, or activity of the insured. This three-way practice of naming policies has been sufficiently formidable for the insuring public but now are added the words "package," "householders," "manufacturers' output," "comprehensive," "multiple peril," and "all-risk," giving real cause for concern over the probable confusion or frustration of the public, the courts, and the industry.

With the passage of multiple line laws in all but two states—Ohio and Arizona, any kind of insurance company other than life can write any kind of insurance other than life, providing certain charter amendments are made and certain financial requirements are met. This single circumstance has increased the attention and interest in "all-risk" insurance immeasurably in the past five years.

New York superintendent, A. J. Bohlinger, suggests the following possible advantages for the "all-risk" approach: (1) It avoids uncovered gaps in protection. (2) It avoids overlapping coverage. (3) It can probably avoid adverse selection. (4)

It can effect probable economies in management, marketing, servicing, and premium.

The disadvantages are less obvious and somewhat conjectural. Probably the greatest disadvantage is the simplicity of the concept itself and the difficulty of obtaining clear public understanding of it, particularly of the distinction between the meaning of "risk" and "loss."

Three basic types of "all-risk" liability policies have been developed:

1. Comprehensive personal liability—single premium, single insuring clause—to cover a sphere which has great homogeneity, small pure premiums, but high expense loading if each exposure is handled separately.

2. Comprehensive general liability—single insuring clause, divisible premiums—audit of exposures at inception and expiration of policy to determine proper advance and final premium, but no marked saving in operating costs, reflected in lower premium for the policy holder.

3. Combination comprehensive automobile liability and physical damage policy—separate insuring clauses, divisible premiums—buyer option to pick and choose coverages he desires.

In the property insurance field, the "all-risk" technique has been applied almost exclusively to personal property of various kinds written by inland marine insurers. The big question is—how much further can the "all-risk" technique be extended, and is it feasible and practical to combine "all-risk" property insurance and "all-risk" liability insurance in the contract?

There appears to be but a single example of this combination in this country, the standard boiler and machinery policy, which is written for a single limit of li-

ability and pays off to the extent of such liability: first, for the damage to property of the insured; next, for damage to property of others; and last, for personal injury liability of the insured.

Whether or not a further adaptation of this example can be made is an open question. The proponents argue that it can be done and point to the British "all-in" policy, which contains liability and property exposures in one policy and under one insuring agreement. Representatives of the New York department who made a study of the matter in the field in England point out that the British economy is so completely different from the American economy that the same type of policy in this country would not be feasible. Other students of the problem argue that the rating methods and habits which have become so imbedded in our insurance mechanism preclude such a combination of insurance for the reason that there is no relationship between the insurable value of

property and necessary limits of liability insurance; also, that large risks need to be spread among several insurance companies for direct loss coverages because of the catastrophe hazard, whereas the same risks are insured for liability exposures by a single carrier. This point emphasizes another principal difference between the two major kinds of insurance. Property insurance has low frequency of loss but catastrophic loss probabilities, whereas, liability insurance has high frequency with low catastrophic probabilities. And finally, it is said that the reinsurance practices in the two major fields vary too widely to make the project practical.

At the moment, therefore, there seems to be no immediate possibility for providing what might appear to be an answer or an end to insurance buyers' troubles and the desire of the industry to solve them by providing a contract which, in effect, would contain a single phrase: "You are insured, period."

—*The National Underwriter*, August 23, 1951, p. 5:3.

INSURANCE PREMIUMS AS COMPENSATION

SOMETIMES THE EMPLOYMENT contract specifies that the employer will maintain insurance on the life of the employee in order to provide certain salary continuance benefits upon the employee's death while in service. Ordinarily such insurance is privy to the employer, whose obligation it is to make the salary continuance payments and who is therefore the owner-beneficiary and premium payor under the policy. Such an arrangement precludes taxing the insurance premiums to the employee.

Sometimes it is desirable that the insurance be paid direct to the named beneficiaries of the employee. When that is the case, premiums paid by the employer

are treated as additional compensation to the employee and are taxable to him in the year of payment. When the arrangement is such, the parties often try to limit the amount of premium included in the employee's taxable income by giving him no rights in the insurance except to name the beneficiary of any benefit over and above the cash value as of the date of death or as of the policy anniversary immediately prior to death. That limitation is accomplished in one of two ways: (1) The employer may take a collateral assignment of the policy which, together with other documents adequately establishing his interest to be the cash value at any given time, is sufficient to

prevent taxation of the employee upon that part of each year's premium that finds itself in cash value increase; or (2) by undertaking the insurance on the "split-dollar" plan under which the interests of the parties are clearly defined as being confined respectively to the cash values and death benefits in excess of cash values. That method is also effective in limiting the amount of premium included in the employee's taxable income each year. But every once in a while someone tries to find the easy way—and it usually proves quite expensive. Here's what happened in one case.*

The employment contract of an oil engineer required the employer to purchase insurance for the benefit of the employee's named beneficiary. Apparently all right and title in the policy was vested in the insured, but the employer-corporation paid premiums. In 1944 the employer paid a net premium of \$757.48 after crediting accrued dividends. The Commissioner included the gross premium of \$861 in the employee's taxable income for that year.

* *C. Francis Weeks v. Comm'r 16TC No. 33*

The Estate and Tax Letter (Copyright 1951 by The Mutual Benefit Life Insurance Company of Newark, N. J.), August, 1951, p. 3:2.

In the Tax Court the employee argued first that the proper inclusion was \$757.48 at most and, second, that that \$757.48 net premium should be reduced by a proportionate part of the surrender value of the policy. The stipulation of facts in the Tax Court case showed that the policy had no cash surrender value during 1944, but was surrendered in 1946 for \$915, all of which was paid directly to the employer upon the request of the insured.

The Tax Court held that only the net premium paid by the employer was taxable to the employee because Reg. 111, 29.22 (a)-12 states, in part: "Amounts received as a return of premiums paid under life insurance, endowment or annuity contracts and the so-called 'dividend' of a mutual insurance company which may be credited against the current premium, are not subject to tax." The Court also held that no cash value could be apportioned to the premium paid in 1944 because the parties expressly stipulated that the policy had no cash surrender value in that year. It refused to determine whether the value at the time of surrender should be prorated over the actual period for which the policy was in force, merely pointing out that it was not known in 1944 what the duration of the policy would be—whether it would be surrendered or mature by reason of death.

Brevity Urged in Insurance Contracts

LESS VERBAGE, less ambiguity in insurance contracts, is the recipe of Ben D. Cooke, British underwriter, who recently visited this country.

Speaking before the Risk Research Institute in New York, the British underwriter said that in the United States the belief is generally held that clarity of intent in an insurance contract is achieved by a detailed enumeration of the hazards and conditions which lie outside the provisions of the contract. In Britain, to the contrary, it is generally felt that a simple statement of the risk covered is all that is necessary for the adequate protection of both the insured and the insurer.

Admitting that there is a point where simplicity and brevity can become absurdity, he held that there is a point, too, where the complete delineation of every conceivable possibility inherent in the risk can become equally absurd.

"We, in England," he said, "try to arrive at a reasonable compromise, preferring to err, if we do, on the side of brevity. It is one of the reasons, I think, that the competitive position of British insurance companies in the world markets is as strong as it is. There is, too, of course, the excellent reputation of our companies in the payment of claims. But these two things, it seems to me, are inseparable. A clear, concise insurance contract in which brevity is the soul of understanding, leads to prompt and satisfactory settlement of claims. On the other hand, when the exact terms of an insurance contract are obscured in a cloud of words, it is inevitable that, willingly or unwillingly, a claims settlement must become a laborious and time-consuming affair."

—*The Standard (New England's Insurance Weekly)* Vol. 147, No. 18

MAINTAINING TRUCK SAFETY

TRANSPORTATION equipment operated by the Roanoke, Va., branch of the Kroger Company last year traveled 1,600,000 miles without a chargeable accident against its drivers, an equivalent of 64 times around the world. This record put the Roanoke branch first among Kroger branches and won for its drivers the chain's coveted safety award for the second time within four years.

Six factors explain the notable safety record of this branch: (1) selection of high-type men; (2) constant supervised training; (3) pride of the men and the Kroger Company in maintaining safety records; (4) Kroger drivers' respect for State, county, and city traffic laws and cooperation with State, county and city police; (5) safety courts in which every accident, however small, is studied and jury decision is reached by fellow drivers; (6) constant inspection and maintenance of equipment to assure maximum safety and efficiency on the road.

In order to insure the selection of well-qualified drivers, Roanoke personnel executives require every candidate for a driver's job to pass unqualifiedly triple tests before he is accepted for training. He must first fill in a detailed form and be interviewed, and if he passes this preliminary check, the personnel department follows up his references to get as specific statements as possible. An outside service organization is also asked to report on the man's credit, home address, environment, and related points. If the candidate passes this check-up, he submits to a physical examination by an approved doctor whose report covers all points listed in Interstate Commerce Commission regulations for drivers of interstate busses and trucks.

The accepted applicant must pass a 60-day training and try-out period before he is assigned to regular runs. Trainers and

the safety supervisors turn in reports to the head of the transportation department: One is the Kroger truck-driver safety and ability test covering 42 points important in safe and efficient handling of tractors and trailers; the other is a trip analysis report by the safety supervisor. After the new man has shown dependability and safe-driving habits, he is ready for regular runs throughout the area covered by the Roanoke branch.

Roanoke Kroger drivers take pride in their safe-driving records, individually and as a team. There are four important factors in encouraging efficient work habits and boosting this pride:

1. The safety supervisor makes frequent spotchecks on all drivers' performance. The men are glad to have the chance to pass, with high scores, the Kroger safety and ability test.

2. Drivers are regularly rotated on the runs from the warehouses on the practical ground that too much familiarity with the same roads, stops, and people tends to lessen alertness, promptness, and efficiency.

3. Kroger Company recognition of individual drivers and branches registering high mileage with no or few non-chargeable accidents and low average accident cost develops morale among the men and better teamwork in the department.

4. Cooperation with State and local police in obeying traffic regulations, working with these officers in safety campaigns, and helping in any highway emergencies win the recognition of these law enforcement agencies for Kroger drivers.

In addition to turning in detailed reports of every accident, however small, and cooperating with local police, Kroger drivers have their own traffic court where drivers appear for trial on the basis of their reports and other available details. The jury is made up of three or four

drivers and two or three transportation department executives, with the safety supervisor as chairman and seventh man. The other drivers attend these sessions.

With the help of a detailed chart showing all types of highway junctions, curves, and straightaways, and miniature tractors and automobiles, the driver presents his defense. Questions bring out the cause or causes of the accident and how it could have been prevented. On the basis of the driver's testimony, police reports, and a review of the accident by the jurors, the court makes its finding of guilty in any degree or innocent. A detailed record is then filed by the warehouse superintendent.

The Kroger safety traffic court is important in two ways: (1) Drivers and transportation executives, reviewing facts about accidents involving their associates,

continue their own training in alert handling of tractors, trailers, and trucks. (2) The traffic court stimulates team spirit in promoting company and individual safety records.

Finally, Kroger's continuous preventive-maintenance program in the transportation department has paid off in very few breakdowns on highways, longer utility of automotive equipment, and lower upkeep costs per ton mile. At the end of each run, the driver makes a report of any inefficiency of equipment or evidence of the need to check tractors or trailers. Check-ups are made on the basis of these reports before the equipment again goes out upon the road. This constant attention to equipment assures high utility of all Kroger equipment and, naturally, is basic in making possible high safety records.

—HARRY E. MARTIN. *Chain Store Age*, September, 1951, p. 20:5.

Strike Insurance

OIL WORKERS today can buy "strike and lockout" insurance policies from their own union.

The policies cost \$1.73 a month, less if paid by the quarter or year. If a minimum of 20,000 members sign up, the policies will pay \$50 a month. Payments will go as high as \$100 a month if 75,000 join, or if 40,000 are covered for at least two years. The plan is partly voluntary. Any member of the union can sign up as an individual. But he must sign up if his local votes to join as a group.

There is only one limit on how long the payments can run: No more than half the reserves behind the plan can be paid out on any one strike.

The Oil Workers International Union (CIO) sees two big benefits in the insurance setup: There will be less pressure to settle a strike from hungry men on the picket lines. Discipline within the union will be stronger. There will be no payments unless a strike is approved in advance by 75 per cent of the members of a local. And the strikers must conform to the union's "rules of conduct."

—*Business Week* 3/3/51

AMA FALL INSURANCE CONFERENCE

The Fall Insurance Conference of the American Management Association will be held on Thursday and Friday, November 15-16, at The Drake Hotel, Chicago.

THE PROSPECT FOR MULTIPLE-PERIL UNDERWRITING

IN THE LAST few years most states have passed so-called multiple-line legislation. Prior to this time, there had existed a rigid division of the property insurance industry into two blocks, fire and casualty. With few exceptions, fire companies could not write lines within the casualty block of powers and casualty companies could not, so to speak, poach on the fire and marine preserve.

This situation has now been changed. A fire company having the necessary capital structure may write casualty lines and vice versa. Another development is of great importance to insurance buyers. Prior to multiple-line legislation, an insurance company could not, by *one policy*, insure a property owner against all insurable risks of damage or destruction of his interests in the insured property. This was, in effect, forbidden by law, except in certain narrow fields, such as automobile and inland marine insurance.

Instead, an insurance buyer, after a careful survey of all possible exposures of a large commercial organization, had to try to cover these exposures by fitting together, almost in the manner of a mosaic, a number of insurance policies written by different insurers, rated on varying exposures and each restricted not only as to peril but also as to the location and character of the property.

Even before multiple-line legislation came about, however, the underwriters, working with buyers and producers, perfected a number of devices to assist in the problem. For example, there have been a number of "package" policy approaches whereby several named perils are covered in one document for a premium allocatable to each of the named perils. The buyer is free to choose which perils he wishes to insure against. The result in most such cases is about the same as if several policies with common expiration dates were writ-

ten in one document. The buyer's problems of completing the mosaic and computing varying exposure data are reduced only slightly.

There is, however, another avenue leading toward simplified forms of coverage—the so-called all-risk or multiple-peril policy. Of course, strictly speaking, there is no such thing as an all-risk policy. There are some perils which are uninsurable or insurable only at prohibitive cost. For that reason all-risk policies have exclusions under which *some* risks are not covered. The nomenclature of "multiple-peril" is probably more accurate. Such a policy contemplates that the insured property shall be covered against all perils except those specifically excluded at a single indivisible rate.

However, it should be borne in mind that multiple-line legislation will not automatically produce wonderful new coverages which furnish sound protection at unobjectionable prices. The legislation has merely removed what had previously been an insurmountable obstacle in the form of restrictive state laws and there are a number of reasons why there will be no concerted rush to multiple-peril coverages. First, insurance buying habits change slowly. Moreover, insurance buyers are not always free to follow their own inclinations in the matter of insurance protection, as lending interests sometimes have to be consulted.

Undoubtedly some insurance buyers will feel that they can do a more economical job by trying to predict the peril that will cause loss and by purchasing coverage for that peril separately. They feel that there is no point in purchasing coverage for all perils when some are extremely unlikely to produce loss.

On the companies' side of the fence there is also considerable diversity of

thought. Conservative underwriters have no desire to rashly expose a company's assets to risks which are unpredictable, unratable and hence uninsurable. There is considerable difference of opinion as to just what type of hazard and what types of establishment and what kinds of property can be safely included in a multiple-peril policy without pricing the resulting product out of the market.

I feel it is sufficient to say there is room

for definite difference of opinion on this score. If some companies hesitate to venture into a new type of underwriting they should not be compelled to do it. On the other hand, there are definite indications that a sizable number of companies with skilled and experienced underwriters and sound financial resources and adequate re-insurance facilities are taking an active interest in the development of multiple-peril coverages.

—From an address by ALFRED H. BOHLINGER before the New York Chapter of the National Insurance Buyers Association, Inc.

MODERNIZING BOILER AND MACHINERY COVERAGE

PRESENT-DAY BOILER and machinery insurance underwriting practices do not meet the needs of the modern industrial organization. When applied to the multiple exposure inherent in the average large industrial risk, they are both cumbersome and unrealistic. They have not kept pace with improved practices developed in other lines of insurance, notably fire and extended cover, comprehensive liability, inland marine insurance, and fidelity bonds. The following are four basic improvements that could be made:

Single Definition of Accident. There should be a single clear definition of accident that would apply to all types of objects. A suggested definition is as follows: "A sudden and accidental occurrence which manifests itself at the time of its happening by immediately preventing continued operation or by immediately impairing functions of the object and which necessitates repair or replacement before its operation can be resumed or its functions restored."

Broader Blanket Protection. For assureds desiring coverage on all objects

there should be available broad designations of objects covered—for example, "all metallic objects under pressure above or below atmospheric and all metallic objects the functions of which involve the use of rotating or reciprocating parts."

There should be automatic protection for all covered types of objects at all locations. At present new locations can only be covered automatically during the first 90 days.

There should be a single limit per accident applying to the entire risk with reasonable variations in premium for variation in the limit per loss. Liability insurance and fidelity bonds exemplify this practice. The present practice of requiring the assured to establish the limit at each location places an unreasonable and unnecessary burden on the insurance buyer.

Simpler Policy Forms. A single definition of accident and broader blanket protection will materially simplify the policy form. In addition, third party liability should be eliminated so that the basic contract covers the property of the assured for either direct damage or use

and occupancy or both. Liability cover can be provided by endorsement for those who desire it.

Also all location pages or lists of locations for objects covered on a blanket basis should be eliminated. Such details are needed only for purposes of premium calculation and inspections.

A complete statement of coverage within a single policy jacket should be included.

Simple Rating Methods. There should be simple rating methods to expedite the

determination of premiums and the issuance and amendment of policies. Under present cumbersome rating methods, the buyer may be forced to wait days, if there is a lengthy schedule of objects, before the insurance company can calculate the effect on premium of important changes of coverage or limits. For example, there could be a flat charge per location, together with average rates for key units for different industries to determine the cost of blanket protection.

—Annual Report of the BOILER AND MACHINERY COMMITTEE of the New York Chapter of the National Insurance Buyers Assn., Inc., 79 John Street, New York 38, N. Y.

Multiple-Line Trend Continues in New York

NEW YORK'S "APPLETON RULE" has been progressively modernized by the expansion of multiple-line underwriting powers, Superintendent A. J. Bohlinger pointed out in his annual report to the legislature.

Though a substantial number of companies have obtained multiple-line licenses, comparatively few have entered the field. This apparent slowness to use the multiple-line powers was attributed to the traditional separation of lines of insurance together with a number of other factors, including the necessity for obtaining trained personnel to handle and service the new lines of business.

The writing of different lines of insurance by different companies has had a distinct influence upon the rating methods used in different lines of insurance. The broad multiple-line powers granted by the legislature to properly qualified companies have stimulated interest in the development of over-all rating techniques and are providing various combinations of fire and casualty coverages in a single policy at a single rate.

Additional factors in the expansion of multiple-line underwriting mentioned were the development of the manufacturer's output policy, the development of combined peril dwelling policies, and the drawing up of a new annual statement form for fire and casualty companies replacing five different blanks formerly used by property and liability insurers.

—The National Underwriter 6/21/51

Reinsurance Transactions

IN 1949 U. S. companies and U. S. branches of alien companies paid more than \$125,900,000 in net premiums on reinsurance ceded to companies resident abroad. Net premiums received on reinsurance assumed from companies resident overseas totaled \$14,000,000.

The bulk of premiums ceded went to the United Kingdom, and more than half the premiums received came from that country. Losses recovered from foreign companies amounted to more than \$71,700,000 while losses paid to foreign insurers were over \$10,200,000.

—The Spectator 8/51

Auto Insurance Costs Mount

ALL OVER THE United States, casualty insurance companies are feeling the pinch of skyrocketing claims for auto accidents. In New York, where the bulk of nationwide auto liability insurance is written, casualty insurance companies went \$120 million into the red on auto policies between 1946 and 1950. Their deficits last year totaled \$11 million, in 1951's first half were still growing.

Casualty men complain that inflation-minded juries are handing out purse-popping awards in accident cases. Accidents are growing because there are more cars on the road, and too many motorists are driving too fast and too carelessly. The cost of car repairs has also shot up, and new cars are more difficult to fix than pre-war models. For example, to replace a front fender on a 1940 Chevrolet cost \$18.80 for parts and labor ten years ago; the same job on last year's model costs \$42.50. As a result, in spite of six rate increases in the last seven years, casualty companies are already getting ready to holler for more.

—Time 8/27/51

Also Recommended • • •

A CORPORATE INSURANCE CHECK LIST. By Sid Marean. *The Controller* (Controllers Institute of America, 1 East 42 Street, New York, N. Y.), August, 1951. This check list is designed to bring to the attention of the insurance buyer some coverages which are frequently overlooked—omissions which might result in large uninsured losses—and to suggest means of improving existing coverages.

THEORY OF FIRE HAZARD RELATIVITY. By Chester I. Babcock. *National Fire Protection Association Quarterly* (60 Batterymarch Street, Boston 10, Mass.), July, 1951. This discussion is documented by case histories of three large industrial fires which emphasize the importance of recognizing the interrelationship of individual fire hazards. The author urges that industrial plant protection supervisors teach the theory of fire hazard relativity to their inspectors and employees, for only when all concerned with plant safety are aware of the manner in which individual hazards combine to cause serious fires will plant fire protection be adequate.

FINANCIAL EXPERIENCE IN UNEMPLOYMENT INSURANCE DURING THE POSTWAR PERIOD, 1946-1950. By William H. Mandel. *Employment Security Review* (U. S. Government Printing Office, Washington 25, D. C.), July, 1951. This review analyzes the cost and contribution experience throughout the 1946-50 period as a whole, for the lessons it may teach regarding the unemployment insurance program. However representative the period under discussion may be, the author points out that a truly balanced relationship between contributions, reserves, and costs should be based on reasonably expected costs rather than simply on historical costs.

THE FINANCIAL PROBLEMS OF AUTO INSURANCE. By Walter L. Flynn. *The Weekly Underwriter* (116 John Street, New York 38,

N. Y.), August 18, 1951. This article is based on a study of the causes and effects of the rising cost of automobile accidents to insurance carriers throughout the country and to the public at large. It concludes with a presentation of remedial measures and constructive suggestions.

UNION-MANAGEMENT WELFARE AND PENSION PLANS: THEIR CURRENT STATUS. By Herbert R. Northrup. *Employer Welfare & Benefit Programs: Research and Technical Report Seven*. (Industrial Relations Center, University of Minnesota, Minn.) The absence of a federal health program in the United States and the inability of most individuals to insure adequately against sickness disability has led to the many non-governmental group experiments which are discussed in this article. So long as these private plans are supplementary the author believes they are not objectionable. However, he recommends certain changes in law and practice to maintain the proper functioning of private plans.

EFFECT OF GROUP LIFE CONVERSION CHANGE IS REVIEWED. *Employee Benefit Plan Review*. (166 West Jackson Boulevard, Chicago 4, Ill.), Mid-Year, 1951. This article reports the views of several leading group insurance executives on the New York and West Virginia conversion amendments to their group insurance laws. These amendments require that new group life insurance certificates contain an option to permit conversion to a one-year individual preliminary term policy without evidence of insurability within 31 days after the termination of employment. In evaluating the arguments for and against these changes, the author points out, it should be kept in mind that the employer, in the long run, pays for the high cost of self-selection of those who convert their group certificates to permanent insurance.

Survey of Books for Executives

PATTERN FOR INDUSTRIAL PEACE. By William Foote Whyte. Harper & Brothers, New York, 1951. 245 pages. \$3.50.

*Reviewed by Ernest de la Ossa**

Mr. Whyte has written a descriptive study of the experience gained by a middle-sized manufacturing plant in Chicago in establishing successful union-management relations. This case history was chosen because the author felt that the change which took place in the union-management relations of this plant was one of the most striking on record.

A bitter conflict which existed for 10 years between union and management was overcome with extraordinary speed during the course of a contract negotiation. Mr. Whyte felt that it would be profitable to study a company which had changed so radically rather than to examine relationships in a company which had remained the same over a period of years and try to determine what factors had created and maintained that constant pattern.

To determine whether these specific experiences can be applied to a large-scale or small-scale organization is not the intent of Mr. Whyte. He feels that "if we cannot deal with specific events in ordinary terms, we need to break down those events into abstract terms, which will make it possible to compare and contrast incidents from case to case."

The author describes the background of the company and presents transcripts of the negotiations which completely changed union-management relationships. The negotiation process is supported by extensive interview data in which informants discuss their behavior and motives before, during, and after the bargaining meetings. Data such as this enabled Mr. Whyte to relate the negotiation process to day-to-day behavior in the plant.

The men who played the principal roles in this labor-management struggle are very

good study examples. The change in their relationship is so radical that it is much easier to relate items of observation in their behavior and to apply their actions to another case in order to predict and control behavior more easily.

The initiative displayed by the union leaders in reshaping the relationship gives practical lessons in leadership. For example, one union representative relieved each tense situation by bringing out fishing pictures and showing them to the group. He was so successful in lifting the strain that there was never a breakdown during negotiations.

With its description of what actually occurs during negotiations this is an excellent book for the layman. The experienced negotiator will find worthwhile material on attitudes and an illuminating picture of the criss-cross pattern of the negotiating table which shows how a minor concession by one party may bring a major victory. It is a valuable study in industrial relations.

THE HOUSE OF LABOR. Edited by J. B. S. Hardman and Maurice F. Neufeld. Prentice-Hall, Inc., New York, 1951. 549 pp. \$7.65.

*Reviewed by Neil W. Chamberlain**

The aim of this book, as stated in the foreword, is twofold: "(1) to acquaint persons outside of organized labor with the 'inside' of the fifteen-million-strong American labor movement, its performance, and motivation; and (2) to present to the participants in union activity an over-all view of their group activities in the promotion of union objectives." To these ends, 49 writers—most of them staff members of national unions—have contributed chapters on specialized phases of "internal union activities." Editors J. B. S. Hardman and Maurice F. Neufeld have skillfully blended these into a readable and absorbing book.

* Director of Personnel, National Broadcasting Company, Inc.

* Labor and Management Center, Yale University.

The book is divided into eight parts, and some notion of its scope and substance can be given by describing briefly these eight major topics.

Part I, "The American Labor Movement," provides an introductory analysis of the composition of the union movement in the United States, the nature of its leaders and members, and the drives inherent in the movement. Here we find explicitly stated a theme which recurs frequently throughout the pages, that "the unions comprise a large part of America's adult active humanity," so that bread-and-butter unionism is too narrow a conception of the labor movement. So large a group has other interests—not instead of but in addition to bread and butter, taking it into a variety of community, national and international affairs. Here, too, we meet the interesting but undeveloped suggestion that with the growth of unions, and with even some local unions boasting memberships in the tens of thousands, "perhaps ingrained notions about the mechanisms of meaningful democracy will have to be completely removed"—that is to say, perhaps the frequent criticism of low attendance at union meetings is wide of the mark, suggesting only that new forms of representation be perfected.

"Unions and Political Activity" is the subject of Part II, containing an able treatment of the history of union political activity by Henry David, an inadequate statement concerning the AFL's Labor's League for Political Education, a somewhat better review of the CIO's PAC at local and national levels, and two excellent chapters on American labor abroad (the first by Val R. Lorwin on the union's own international organizations and the second by Eleanor Finger on the union's part in the Marshall Plan).

Parts III and IV discuss two arms of the unions—their press and public relations, and their research and engineering services. Marion Hedges has contributed a challenging statement on "Why A Labor Press." Henry C. Fleisher inventories the union press by type and function. There are spottier contributions on the content of union publications and their public relations programs. In Part IV we encounter several case studies of how research is carried on or used in a particular union. William Gomberg's contribution on union attitudes toward industrial engineering

is unusually thoughtful and more analytical than most chapters of the book.

Nine chapters on welfare, health and community service comprise Part V. Among them are a straightforward and enlightening account of the achievements of the Mine Workers' health programs (though nothing on the intricacies of administration), chapters on health care, credit unions, cooperative housing, an advisory statement to unions interested in radio broadcasting, an aggressive comment by Leo Perlis on the CIO's attitude toward community service programs, and a more conciliatory statement by Matthew Woll on the AFL's position.

"Union Administration"—Part VI—is highlighted by Neufeld's study of Local 3 of the International Brotherhood of Electrical Workers and Sidney Shulman's analysis of the function of labor union accounting. Other chapters on the administration of a national union, the legal problems of unions, and administration of a welfare fund are written more perfunctorily.

The most interesting of the eight chapters of Part VII, Union Education Activity, is the initial survey of the problem by Mark Starr. The remaining chapters are for the most part how-to-do-it briefs of interest primarily to those working in the field.

The last part, Union Staff—Functions and Aim, is a symposium which this reviewer found disappointing, except for Neufeld's rousing indictment of the labor leaders' attitude toward staff, and the staff's willing vassalage to the men of action, an argument repeated in somewhat different dress by Robert S. Lynd.

This very interesting book could have been improved if the editors had been more on guard against certain dangers to which collections of this sort are easy prey. Topics of importance have been omitted. In a book on "internal union activities" surely there is some place for examination of the nature of union politics and its significance, for example. Other topics have been included but slighted—the relation between international and local unions, for example. Some contributions scarcely warrant printing. Because many of the authors are writing from the point of view of their union, analysis is frequently of a "case" nature, rather than general. There is an ex-

cessive emphasis on the needle and textile trades.

Some readers may object to the frankly admitted and constantly present pro-union bias, but a book like this cannot be written without it. This reviewer does object, however, when that prejudice occasionally blossoms into a less acceptable naïveté that the union movement and the public's welfare are, if not the same thing, sufficiently alike to be treated as one.

These critical comments are only to warn the potential reader not to be disappointed if he finds certain weaknesses on reading the book. We may hazard the guess, however, that this book will meet with a ready success and be widely quoted for many years to come. The editors have accomplished a difficult job remarkably well. It is a book worth reading.

THE NEW SOCIETY. By Peter F. Drucker.
Harper & Brothers, New York, 1950.
352 pages. \$5.00.

Reviewed by Philip R. Kelly*

In this book, Peter Drucker, author, economist, and management consultant, has undertaken a formidable task. He has attempted not only to outline the anatomy of our industrial society, but also to delineate its major problems and suggest steps toward their solution. The vast scope of this work thus explains both its strengths and weaknesses.

Similarly, its scope necessarily influences the nature of this review; an attempted synopsis would leave no room for comment. So let's look at this book from the potential reader's point of view.

It would do many busy operating executives good to read *The New Society*. Most of them have very little time to think about the real nature of management and its requirements. Such executives would certainly gain from that part of the book which reports recent findings on "man at work."

On the other hand, those who have kept abreast of management literature and the impact of the machine age on man and society will find little new in its pages. (The shaping of modern man's character and its effects on our total culture are dealt with much

more searchingly in Lewis Mumford's *Condition of Man* and Eric Fromm's *Man for Himself*.) Of course, it helps to have a man of Mr. Drucker's stature favor federalism, participation, communication, a guaranteed annual wage, etc. But the key problem faced by all who advocate such steps is—how do we put these ideas into operation? How build the "brave new world"?

One weakness of Mr. Drucker's book—viewed in terms of its avowed intention of suggesting practical steps for solving such problems—is that he doesn't clearly focus on where management should begin.

Apparently he believes that one place to begin is by getting management to realize the real nature of its job. To Mr. Drucker this involves the recognition of three major responsibilities: (1) responsibility for the survival of the enterprise; (2) responsibility for the efficient organization of the human resources of the enterprise; (3) responsibility for an adequate and orderly succession of top management itself.

A questionable aspect of Mr. Drucker's approach is his insistence on distinguishing *between* the survival of the enterprise and the organization of its human resources. He says: "Management might be as solicitous of the workers' welfare as it possibly can be. It still must put the survival of the enterprise before anything else, including the interest of the worker. At best, the maxim that management always puts the workers' interest first can work only in fair weather. As soon as hard times come, management must reverse its policy."

This point of view is reflected throughout the book in the author's rather dogmatic pronouncements on what must happen in the area of labor-management relationships. It tends to confuse reality with possibility—the past and present with the future. It is a rather unhappy fact that in his attempts to be "realistic," Mr. Drucker thus seems to have accepted the concept that the enterprise (represented by management) and the workers must be in conflict. Yet elsewhere in the book there is evidence that he feels that the New Society can endure only if its leaders recognize that business exists for men and not vice versa.

* Special Representative, Mack Trucks, Inc.

The author places heavy reliance on the adoption by labor of the "managerial attitude." Yet by inference the reader must conclude that Mr. Drucker feels that management itself usually does not possess this precious talisman.

Mr. Drucker feels that the policies of the individual enterprise and not "the system" are responsible for many of the social problems of the new order. However, we must bear in mind that these policies are made by men. One of the problems of a managerial society dominated by scientist-technicians is its tendency to overlook the limitations of men as managers. As the author points out, attainment of the managerial ideal of efficiency is possible only where the future can be projected. As we well know, even in authoritarian societies it is hard for men to be omniscient.

Therefore, perhaps Mr. Drucker should add another first need for management—the need to face its own limitations realistically. For where management feels that it must be infallible and omniscient, its members labor under a tension which must seek outlets in many ways. These tensions and anxieties, translated into managerial decisions and policies, in turn affect the lives of millions of men at work—in unions and government, as well as in private industry.

Mr. Drucker comes close to the heart of the New Society's key problem on his last page when he says, "The real challenge is one of leadership." However, it is easy to point to the need for leadership; it is another "real challenge" to create and perpetuate it. This problem, which the New Society faces today, is no newer than the timeless struggle in man's soul between good and evil. Over-subtle analyses of the situation often lead to confusion rather than understanding.

Good management must have its beginning in good men. As the New Society progresses beyond its early pseudo-scientific, mechanistic days, its researchers confirm with increasing weight the belief that there are fundamental rules governing the conduct of human affairs. As the newer studies in group dynamics and human relations show, these rules and principles are as inexorable in their workings as the principles of physics. The "good man"

has been clearly and adequately defined by all great religions. If the New Society does not produce its quota of such men as its leaders, it must fade away beneath man's relentless pressure toward love, justice, and equality.

By all means, read *The New Society*. It is never dull and it is generally stimulating. But as you read it, remember that, while society shapes men, it is also shaped by men—and it remains the responsibility of each man to bear his share of the load toward creating a better world, wherever he may be.

DESTINATION UNKNOWN. By Walter Gordon Merritt. Prentice-Hall, Inc., New York, 1951. 454 pages. \$5.65.

Reviewed by Ben F. McClancy*

The rise of a labor movement in any country is a highly emotional, intensely partisan proposition. For it is revolutionary, and revolutions have never been noted for good manners of their participants. Demagoguery abounds, and contemporaries of men whom history later dubs patriots often consider them as unprincipled spread-eagle orators bent on upsetting the status quo in order to achieve personal power. And quite often they are not altogether wrong. So, in a way, it is difficult for me to discuss Walter Gordon Merritt's interesting book *Destination Unknown*, an account of his 50 years of labor relations, objectively. For I agree with everything he says. All of my business life I have identified myself with management, and my sympathies are with industry. Naturally, it is impossible for me to assume a detached, man-from-Mars attitude on a subject that I have lived with intimately, perhaps not as long as Mr. Merritt, but at least from Wagner through Taft-Hartley. And to me the highly personal account that the author gives of the development of organized labor—from the occasion when a privately printed pamphlet that he wrote on the boycott when still in college drew fire from Sam Gompers himself, to the present—is a fascinating retelling of a tremendously significant story.

Mr. Merritt is a lawyer and a distinguished

* General Manager, The Associated Industries of Cleveland.

one. His life and career are inextricably interwoven with the relationship between labor and management. It was in 1908 that he was counsel for the Danbury Hatters in that historic case. Almost 40 years later, he represented General Motors before the Presidential Fact-Finding Board in the prolonged strike of the UAW-CIO in 1945-46. And in-between—well, that is now between the covers of this book.

I remember once reading a history of the Civil War that was owned by a former member of Jeb Stuart's cavalry. Penciled in the margin were highly caustic comments on the accuracy of the historian's recounting of raids and battles in which the old cavalryman had participated. One I will always recall. The book stated that on a certain date General Stuart conducted a highly successful foray into enemy territory, captured considerable equipment, and returned without the loss of a man. Boldly written was this dissenting opinion, "It's a damn lie. We got six hogs!" Similarly, Mr. Merritt's observations on early-day labor leaders, now clothed in the mellow lustre of the past, are equally acute. For they are still sharp in his memory, and they emerge with the human qualities, the faults, the virtues that are inherent in all of us. His comparison of John Lewis and Gompers is illustrative. He says, "Gompers—not quite so overpowering in personality as John L. Lewis—possessed a winsomeness that this other gentleman, when putting on his most courtly manners, never possessed. The suffering of the toilers seemed to have scarred Gompers' spirit. Given the right opportunity, he might well have gone to the stake. Mr. Lewis never forgets himself in his cause." And, indeed, Gompers came perilously close to prison when he announced the publication of the A.F.L.'s "unfair" list in 1908.

Mr. Merritt points out that the philosophy of the American Federation of Labor, and Gompers was its prophet, in the early part of this century, is in marked contrast with present-day union beliefs. Gompers was opposed to government intervention in any form. He thought labor could take care of itself. The evolution of the labor movement and its credo to the point where big unions, particularly affiliates of the CIO, consider govern-

ment as an ally in the struggle with management the author traces accurately and sadly.

He deplores the introduction of the class warfare motif by such latter-day labor saints as Walter Reuther and Philip Murray. To point up this change of attitude he tells of an incident that occurred some years back when he was speaking in Lawrence, Massachusetts, and his wife was an anonymous member of the audience. After he had finished his talk, she turned to a fine looking Scotch labor leader sitting next to her and said, "What do you think of Merritt?" "He is just another capitalistic dub," was the reply. She introduced herself, and asked what was a "capitalistic dub." Laughingly he returned, "A capitalistic dub is anyone who believes that any good can come out of the present social system." And Merritt writes somewhat wistfully elsewhere that "today the unwillingness of union leaders to give the employer credit for a generous and humane impulse, where it may be conspicuously deserved, is most alarming."

It is Mr. Merritt's opinion that all people, particularly labor leaders, must have the courage to reject the tools of demagoguery and frankly recognize the value of industrial leadership. Labor leaders, he asserts, not employers have the ear of the workers. Unless they carry to their followers a more intelligent appraisal of the attitudes and social contributions of industrial and financial leaders, our system of free enterprise is doomed. For rebellion against employers too easily leads to rebellion against the rules of society. Labor unions, with their growing power, have yet to submit to social control as do other civic institutions.

With this statement I certainly agree. And even further, may I say that unless the leadership of labor takes a broader view and re-evaluates its position it also is doomed. For the destruction of capitalism would be as disastrous to unionism as if the inseparably linked Siamese Twins, Eng and Chang, attempted to sever their connection. They quarreled, it is true, but despite their differences they worked out a mode of living. For they recognized that one was the creature of the other; that life for one was not possible without the other.

Free unions in America might look across the sea to gain a quick understanding that the death of free enterprise in those countries where it has died has also written finis in upper case letters to any genuine labor movement. But again I must admit that attempting to point this out to the mission-minded leaders of the quasi-political labor organizations that exist today would be as futile as it would have been to try to dissuade Napoleon from going to Moscow because the climate was cold. However, I am not altogether convinced that Mr. Merritt is right in his belief that employers are not able to reach their people. It can be done, and in many cases, is being done. It represents a tremendous challenge to modern management, a challenge that is being accepted. For industrial executives have the opportunity of leadership, and it is they who must educate the public on the obligations of responsibility. In our closely related society, public opinion is a powerful force, and a large segment of it, not necessarily a completely isolated segment either, is composed of men and women of industry. They can change their leaders, and have been known to do so.

I enjoyed reading Mr. Merritt's book. It is a sort of personal panorama of 20th century industrial relations. And the anecdotes, the close-up glimpses of the various figures who have played, and are playing, their parts in this fast-moving drama become vital and alive. The author, though always a spokesman for management, is still able to see and understand the thinking of the other side.

He writes clearly and well, and he has a cause. It is common sense and reason so frequently obscured in the inflammatory, group-pressure tactics of contemporary labor leaders and their political allies. As he concludes, who has confidence in a system that permits organized workers such power that employers and society generally are unprotected from their excesses? Since when, he asks, has absolute power been an infallible administrator of justice? There is certainly a strong parallel between the collectivist-minded union leader of today and Machiavelli who wrote "the nature of people is inconstant, and it is easy to persuade them of a thing, but difficult to hold them to that persuasion. Accordingly it is

expedient to be so equipped that when their belief gives out, one will have it in one's power to make them believe by force." Yes, Walter Merritt's book is a lesson in experience.

NEW WAYS TO BETTER MEETINGS. By Bert and Frances Strauss. Viking Press, New York, 1951. 177 pages. \$2.95.

*Reviewed by Louis A. Allen**

From the time the late Kurt Lewin founded the Research Center for Group Dynamics at Massachusetts Institute of Technology in 1945, there has been widening interest among psychologists and sociologists in the behavior of people in groups. Much of this work has been carried on at the University of Michigan. Significant results have also been achieved in summer sessions at the National Training Laboratory in Group Development at Bethel, Maine and in various university and community projects.

This book describes some of the procedures that have evolved from Lewin's work. It uses first-hand studies of group meeting situations in the community to expound Lewin's basic thesis that a group can be no more democratic than its leadership. Ergo, train both the leader and the group.

In getting their story across, the authors exhibit several welcome virtues. They write with an eye on the Flesch Index, avoiding technical jargon. Historical background is provided to give added meaning to the main topics. There is enough *how-to-do-it* to make the volume of practical use.

In the early chapters, the Strausses describe some of the things that must be done to weld people together into closely-integrated, productive groups. These sections suffer somewhat from being sparse where they could be filled out with more detail about what goes on inside the group as it undergoes its democratic metamorphosis. However, because of this brevity, the reader feels catapulted into the position of leader of a group of people about to hold a meeting. Aided only by a few cheerful words of advice, he is helped to

* Manager, Personnel Administration and Training, Koppers Company, Inc.

reconcile clashing viewpoints, draw out reluctant individuals, and, in general, get the group to solve its problems as smoothly as a magician hauling rabbits out of a size 7 hat.

Since they have had practical experience, the authors would undoubtedly be the first to concur in the need for a strong word of caution at this point. For the task of the fledgling group leader is difficult and demanding. He must be a mature, well-adjusted individual himself if he is to subordinate his own expression to the varied demands of some 10 or 12 others. And after he is under way, he will find that the business of getting the group to run itself almost invariably brings an initial period of confusion and cross-purposes. This is the time of frustration. Upon this shoal, many optimistic groups and their leaders are sunk, with only a froth of talk to mark their demise.

Though the authors try, this book balks at the hurdle where most others describing conference methods come a cropper. This is the problem of getting action after a solution has been worked out. As it is, the plan of action is left nicely written on the blackboard, with the most crucial step predicated on a sketchy check-list. Since the results of too many otherwise successful meetings are erased with the chalk marks from the blackboard, this section of the book would have been improved if more consideration had been given to methods for getting action on the solutions decided upon.

The last half of the book outlines several valuable applications of the basic techniques of group leadership. Role-playing is well described and in some detail. The authors delineate some of the methods developed by the National Training Laboratory and the National Education Association for the handling of large meeting groups and working conferences. Such devices as the problem census, the "Phillips 66" method, and listening teams are excellent suggestions for getting everybody into the act. Almost any convention chairman might profit from the ideas advanced in these chapters.

In spite of the fact that it is cursory in its treatment of a few topics, this volume is a very readable overview of some of the newer techniques developed in the field of group

leadership. While it is slanted largely to community groups, there is a direct application to industrial problems. Most personnel and training people will find it worthwhile reading.

PRODUCTION CONTROL. By Franklin G. Moore. McGraw-Hill Book Company, Inc., 1951. 455 pages. \$5.50.

*Reviewed by Robert F. Goodwin **

The author of this book has analyzed current production control practice in order to make clear the need for varied procedures and to describe exactly what is done in each. Designed primarily as a text for the student, *Production Control* offers a well-delineated study of established procedures and brief commentary on their application to production problems. There is no critical analysis of the relative merits of production control methods. Rather, this text examines each technique, such as Order Control, Block Control and Flow Control, analyzing why they are used and what each may be expected to accomplish.

Much of this book is concerned with a study of Order Control, that particular brand of production control used by companies whose production lots are varied and intermittent as to frequency. In this section, comprising several chapters, all phases of Order Control, from the basic information required to the control of orders in process, are discussed. Further, the several methods of scheduling shop orders and scheduling for machines are outlined and compared as to their uses in establishing "wanted" dates, starting times, machine assignments, etc.

Following this, each remaining type of production control such as Flow Control, Block Control and Load Control is presented in turn with emphasis upon the thought that there is no one best system but that each of several alternatives may be most suitable in a given situation. These discussions are illustrated amply through the use of forms and procedures developed by many companies. Several sections, in addition, deal with a description of some phases of work common to all production control systems. Of these,

* George H. Elliott & Company, New York, N. Y.

Forecasting and Estimating, Drawings, Drawing Numbers and Identification Systems have received the major emphasis.

While this is a textbook suitable for basic instruction, it contains material of value to established practitioners of the art. In particular, Professor Moore has outlined the uses of mechanical tabulation equipments, which material may interest those presently working with manual material requisitions, order control forms and others. Moreover, since the illustrative material has been drawn from actual experience, the book shows how others have solved common problems. The author has also given attention to practical considerations, that is, to the working limitations of each procedure—for example, the emphasis upon the day-to-day importance of re-planning and re-scheduling which has contributed to the effectiveness of the text.

Included in the book are (70) cases illustrating common production control problems which have been taken from the author's experience in many companies and which offer the student opportunity to apply the principles set forth in the body of the text.

PRODUCTION FORECASTING, PLANNING, AND CONTROL. By E. H. MacNiece. John Wiley & Sons, Inc., New York, 1951. 305 pages. \$5.50.

*Reviewed by Farel A. H. Hulick**

In his opening sentence, the author says: "This book is primarily intended as a textbook for a one-semester course in production forecasting, planning, and control." Such a statement of intention could be construed as limiting the scope of this volume; however, a perusal of the table of contents indicates that a much broader aspect of industrial activity is surveyed. After having read this book, one has the impression that its title should be "Manufacturing Management."

Mr. MacNiece takes his students on a guided lecture tour through practically every one of the staff (and many of the line) departments and functions. Though he sometimes labels the chapters "Cooperation with . . .," the fact is most of them describe "Functions

and Methods of . . .". The net result is a comprehensive survey of all the units in a manufacturing organization together with a discussion of their methods of operation, their objectives, their tools, and the integration of each of them into the complete operation.

Because of the breadth of activity covered and the limited amount of material which can be digested by students in a one-semester course, the author does not treat fully any one function. There are many techniques and methods which are omitted or merely mentioned rather than described or explained in sufficient detail to make them working tools of the beginning industrial executive.

For example, over 10 pages are devoted to "Cooperation with Quality Control." Of these, about three pages are used for charts and tables, while the rest contain a discussion of statistical methods of inspection. Obviously, it is impossible to expect that such a short treatment of this subject (which, furthermore, contains several examples) would provide the student with enough background even to understand the underlying concepts of statistics, let alone their application to quality control. The chapter omits any description, or even mention, of advantages and disadvantages and methods of "first and last piece inspection," "periodic inspection," "cycle inspection," "inspection by succeeding fixtures," "inspection at critical points," etc. There is, however, an excellent discussion of the function of quality control in preventing rejects in addition to finding them.

Another example of the lack of sufficient detail is the discussion of pre-determining operation times. One paragraph states that formerly an operation had to be run in order to make a time study; subsequent material under this heading is devoted entirely to the M.T.M. technique—nothing about compilation of standard data from stop-watch time-studies, no mention of comparison with previous similar jobs, no hint of the dozens of other methods that are in common use and are producing entirely satisfactory results.

A chapter which is conspicuously absent, is one concerning the tailoring of methods and jobs to personnel. Any industrial organization is headed for serious trouble in achieving an effective, smoothly running operation if it

* Methods, Planning, and Standards Manager, Signode Steel Strapping Company.

fails to recognize (or chooses to ignore) that it functions only through the people who compose it. There is a vast range of individual inclinations and abilities; these variances must be expected, they should be recognized promptly, and ample leeway should be provided for them. A textbook for beginners in the study of industrial management should not omit a comprehensive discussion of this vital concept.

However, the tables, charts, sketches, photographs, layouts, and flow charts of paperwork and materials in this book are excellent. The entire volume is profusely illustrated with material which is cogent and up-to-date.

BEGIN NOW—TO ENJOY TOMORROW. By Ray Giles. Illustrated by Will Black. Published as a public service by The Mutual Benefit Life Insurance Company, Newark, N. J., 1951. 57 pages. Cloth. Gratis.

For those who are reluctant to retire, who have set their retirement date too late in life, who are retiring without a plan, without avocations or any sustaining philosophy—and for younger men and women who view retirement as a remote eventuality about which they can postpone their thinking "until the time comes," this book offers valuable guidance.

Its main theme is that retirement, like any other way of life, will be successful and happy to the extent that it is built upon some central design which affords financial security and the opportunity to use one's energies purposefully. In addition to a comprehensive discussion of the practical, material problems of retirement—financial planning, living arrangements, etc.—the author addresses himself at length to the mental and emotional factors that figure so heavily in adjustment to retirement. If the basic message of the book could be summed up in one phrase it would be "Retire to—not from!" Because pre-retirement counseling designed to encourage this more positive attitude toward retirement has found widespread adoption in industry, this guide will be of interest to personnel managers, employee counselors and company librarians.

Single copies of the book, which is attrac-

tively illustrated throughout and bound in cloth, may be obtained at no charge upon request to The Mutual Benefit Life Insurance Company, Newark 1, N. J.

INDUSTRIAL PRICING AND MARKET PRACTICES. By Alfred R. Oxenfeldt. Prentice-Hall, Inc., New York, 1951. 602 pages. \$5.75.

*Reviewed by Elmer C. Bratt**

This book is the best available means of attaining a broad understanding of the pricing process. Pricing problems—both theoretical and institutional—are comprehensively covered on an outline which is constantly obvious. In fact, the coverage is so broad that, at times, the text only thinly covers the outline scaffolding. Elsewhere, where our frontiers of economic knowledge are deeper, the analysis is relatively complete. If Mr. Oxenfeldt has not greatly extended these frontiers, he has at least expertly organized a vast amount of material and presented it in an interesting way. Though the reviewer or the reader may not agree with all that is said, he will, with the exception of some minor points, highly respect it.

After considering the general environmental setting in which pricing occurs in our economy, the author presents within a few pages the essence of modern price theory. He then turns to a study of the influences which are exerted on prices. First, he considers the knowledge and motivation of the price setter and what are, in general, the economic factors which influence him. This leads to the methods used to set prices. Though he concludes that cost-plus pricing is by far the most prevalent, he grants that many other procedures also play a part.

Analyzed next are the various methods by which firms attempt to influence markets—extending the firm, advertising, various forms of discrimination, injury of rivals, and supply limitation. This is interesting reading, but no definitive conclusions are reached.

Attention is given to rivalry and agreement with other firms. The various forces are well outlined, and considerable light is thrown on

* Professor of Economics, Lehigh University.

the way price agreement develops. The importance of price leadership is emphasized.

The author also considers inter-industry price influences. Covered are vertical relations among sellers and the influence of substitute and complementary products. By necessity, this analysis does not lead to any neat conclusions.

Finally, various government influences are well summarized. These include direct price-setting, public utility regulations, anti-trust laws, the Robinson-Patman Act, resale price maintenance, import limitation, licensing, and limiting output (pro-rationing oil). The book ends with some public policy recommendations which do not pretend to be more than thought-provoking.

Separate chapters on case studies of whisky and steel prices are included. Though these chapters certainly do not tell how prices are set in these industries, they do throw as much light on such complicated industries as can be expected from a non-expert.

Not the least important part of this work are its cross-comparisons with standard authors and the careful cross-references given in extensive footnotes. These correlate the author's statements with the other literature in the field and prevent his approach from appearing isolated.

Mr. Oxenfeldt is realistic. Because he does not bend his analysis to prove prejudged conclusions, it is possible for him to present a true panorama of the complicated pricing process. Occasional statements do reveal preconceptions (some of which the reviewer disagrees with), but these do not keep him from developing his outline in an objective fashion. There are, nonetheless, a few slips (note tables 26 and 32 and the accompanying text).

MOTION AND TIME STUDY. By Marvin E. Mundel. Prentice-Hall, Inc., New York, 1950. 457 pages. \$6.65.

*Reviewed by Duane J. Thornton**

In *Motion and Time Study*, the author conclusively demonstrates a broad knowledge of his subject matter and a keen appreciation of many of the problems confronting industrial

management in its efforts to measure, simplify, and standardize work methods.

The chapters devoted to process charts are well detailed and provide valuable information on their proper use. Their inclusion here is important, for considerable emphasis must be placed on this type of preliminary analysis prior to any consideration of standard measurement. While the author's treatment of process charts is comprehensive, it seems to this reviewer that it would have benefited from the inclusion of some material on the subject of basic training in process charting. No doubt a college student with some background in methods study could apply the principles described here; however, there is much to be said for company-sponsored methods training for employees who do not have a college background. Use of factory employees without college backgrounds for methods study has frequently proved valuable because they can bring to their work a background of practical shop experience which may more than compensate for formal college training. This does not mean, of course, that both college and factory experience are not of great value; a combination of the two would be ideal. In any event, industry should give more thought to the problem of standardizing of methods training and procedures in order to make them more uniformly applicable to all types of industry—job shop, semi-volume production and volume production.

Returning to the subject of process charting, it seems to this reviewer that a study of factory layouts should be considered in any discussion of process charting because this is one of the major uses for the information developed through operation process charts and process flow charts. In too many cases, capital funds are wasted by industry because factory layouts are not based on flow information. In view of the fact that scientific management is only in its infancy and is confined for the most part to large corporations, the importance of including this type of layout information in all texts written on the subject becomes paramount.

Outstanding in this text is the author's treatment of process chart studies as applied to office operations. Many offices throughout industry are virtually paper mills and constitute a major field for simplification. More widespread adoption of methods study in the office, together with application of some of the plain-

* Head of Factory Methods, Solar Aircraft Corporation.

talk principles of Dr. Rudolph Flesch would go a long way toward eliminating duplication of forms, uneconomical and unnecessary typing, circulation of reports which are too often consigned to the wastebasket, and last but not least, a vast volume of paper savings.

The portion of the text devoted to time study is extremely well written and informative. The orderly sequence in which the author treats each phase of time study will facilitate the reader's understanding of the subject. It should be pointed out, however, that this book will prove most useful to the practicing time-study engineer. Due to its somewhat technical nature, it would be of questionable value to a trainee with no background whatever in time study. Its value to the experienced engineer cannot be over-emphasized, however. Incidentally, the author's discussion of the human element as it affects sound time study is highly recommended food for thought by all methods and time-study engineers.

This text deals at some length with the correct application of standards and their subsequent use in developing incentive plans. While the application of standards to incentives is thoroughly explained, it is felt that the application of standards for budget purposes, labor loading, scheduling and cost controls should also be covered. The fact that a goodly percentage of small companies have failed to adopt sound methods techniques is no indication of the true value of measurement. Management by scientific methods of measurement, rather than management by rule-of-thumb or "guesstimates," is the only real assurance of ability to produce on schedule, ability to compete, and ability to operate at a profit.

In conclusion, it should be pointed out that the importance of top management's support of any and all methods work cannot be overstressed. This seems to be a missing link in *Motion and Time Study*, though vague reference was made to it in Chapter 2.

Publications Received

(Please order directly from publishers)

DEVELOPMENT OF SUPERVISORY PERSONNEL. By Waldo E. Fisher. Bulletin Number 20. Industrial Relations Section, California Institute of Technology, Pasadena 4, Calif., 1951. 36 pages. \$1.00.

HANDBOOK OF CONSUMER TERMS: 1951. Customer Advisory Committee of New Jersey. Headquarters: L. Bamberger & Company, Newark 1, N. J. 92 pages. 35 cents.

QUESTIONS AND ANSWERS ON THE CONTROLLED MATERIALS PLAN. Compiled by the CMP Education, Inquiry, and Procedures Division of the office of Production Controls. Available from Distribution Service, U. S. Department of Commerce, Washington 25, D. C., 1951. 28 pages. Gratis.

FUNDAMENTALS OF LIFE INSURANCE. By Henry T. Owen. Prentice-Hall, Inc., New York, 1951. 424 pages. \$6.00.

PUBLIC UTILITY ACCOUNTING. By J. Rhoads Foster and Bernard S. Rodney, Jr. Prentice-Hall, Inc., New York, 1951. 690 pages. \$10.00.

DEVELOPING A DEPTH ESSAY QUESTIONNAIRE TO ASSESS THE MARKET FOR FURTHER EDUCATION AMONG EMPLOYED SCIENTISTS AND ENGINEERS: A Report of a Project Sponsored by the Manpower Branch, Human Resources Division, Office of Naval Research. By Douglas E. Scates and Alice V. Yeomans. Research Staff on Scientific Personnel, American Council on Education, Washington 6, D. C. 1950. 132 pages. Gratis.

ACTIVITIES OF EMPLOYED SCIENTISTS AND ENGINEERS FOR KEEPING CURRENTLY INFORMED IN THEIR FIELDS OF WORK: A Report of a Project Sponsored by the Manpower Branch, Human Resources Division, Office of Naval Research. By Douglas E. Scates and Alice V. Yeomans. Research Staff on Scientific Personnel, American Council on Education, Washington, D. C. 1950. 42 pages. Gratis.

THE FUTURE OF PRIVATE ENTERPRISE: A Study in Responsibility. By George Goyder. Basil Blackwell, Oxford, 1951. Available from Importations Department, The Macmillan Company, New York. 179 pages. \$2.00.

WAGE STRUCTURE: Men's Dress Shirts and Nightwear 1950. Series 2, Number 80. Bureau of Labor Statistics, United States Department of Labor, Washington, D. C. 1951. 42 pages. Gratis.

WHO'S WHO IN INSURANCE: 1951. A Section of the Insurance Almanac. Edited by Mildred J. Smith. The Underwriter Printing and Publishing Company, 116 John Street, New York 7, N. Y. 1951. 511 pages. \$5.00.

1950 DEPARTMENTAL MERCHANDISING AND OPERATING RESULTS OF DEPARTMENT STORES AND SPECIALTY STORES. By Raymond F. Copes. Controllers' Congress, National Retail Dry Goods Association, 100 West 31st Street, New York 1, N. Y. 1951. 112 pages. \$15.00.

THE FUNDAMENTALS OF SPEAKING. By Wilbur E. Gilman, Bower Aly and Loren D. Reid. The Macmillan Company, New York, 1951. 608 pages. \$4.00.

Average American Supports "Big Business," Survey Shows

IN A RECENTLY PUBLISHED University of Michigan survey of 1,227 opinions, *Big Business from the Viewpoint of the Public*, the people's voice spoke up in firm support of "big business." Seventy-six per cent held "good things outweigh bad things" in big business performance. Only 10 per cent thought "the bad outweighs the good."

In general, Mr. Average American thought well of big business, which he had some trouble defining, because it "hires lots of people," pays high wages. Associating the term "big business" with big corporations like General Motors, General Electric, or U. S. Steel, the public gave generous weight to the community and social welfare programs of these companies. Highly esteemed were corporation pensions, job security, and success in upping employee living conditions.

—Forbes 8/15/51

Advice to Authors

If you've got a thought that's happy—
Boil it down.

Make it short and crisp and snappy—
Boil it down.

When your brain its coin has minted,
Down the page your pen has sprinted.
If you want your effort printed,
Boil it down.

Take out every surplus letter—
Boil it down.

Fewer syllables the better—
Boil it down.

Make your meaning plain—express it,
So we'll know—not merely guess it,
Then, my friend, ere you address it,
Boil it down.

Skim it well—then skim the skimmings—
Boil it down.

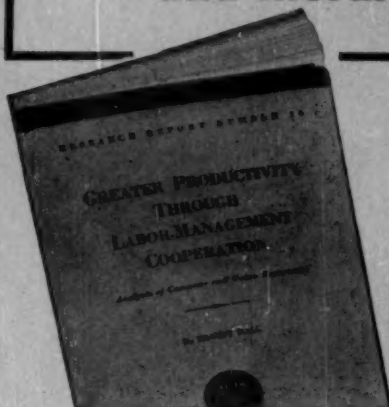
When you're sure 'twould be a sin to
Cut another sentence in two,
Send it in, and we'll begin to
Boil it down.

—AUTHOR UNKNOWN.

(Try this on your letters and reports.)

—FRANK KERRICKS and ROBLEY WINFREY in *Manual of Report Preparation* (Wm. C. Brown Co., Dubuque, Iowa, 1948. 397 pages. \$6.00)

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